



Comprehensive Annual Financial Report

City of Raleigh, North Carolina

FISCAL YEAR ENDED JUNE 30, 2003

City of Raleigh, North Carolina
Comprehensive Annual Financial Report
FOR THE FISCAL YEAR ENDED JUNE 30, 2003



Prepared By
The Finance Department
Perry E. James, III, Director of Finance

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RALEIGH CITY COUNCIL - 2002-2003



From left second row: K. Neal Hunt, Kieran J. Shanahan, Philip R. Isley, John H. Odom
From left first row: W. Benson Kirkman, Janet R. Cowell, Charles C. Meeker, James P. West

Charles C. Meeker
MAYOR

John H. Odom
DEPUTY MAYOR
DISTRICT B

W. Benson Kirkman
DEPUTY MAYOR
DISTRICT D

Kieran J. Shanahan
DISTRICT A

James P. West
DISTRICT C

Philip R. Isley
DISTRICT E

K. Neal Hunt
AT LARGE

Janet R. Cowell
AT LARGE

CITY ADMINISTRATIVE AND FINANCIAL STAFF

J. Russell Allen, CITY MANAGER

Carolyn H. Carter, ASSISTANT CITY
MANAGER/OPERATIONS

Lawrence E. Wray, ASSISTANT CITY
MANAGER/ADMINISTRATION

Thomas A. McCormick, Jr., CITY ATTORNEY

Gail G. Smith, CITY CLERK

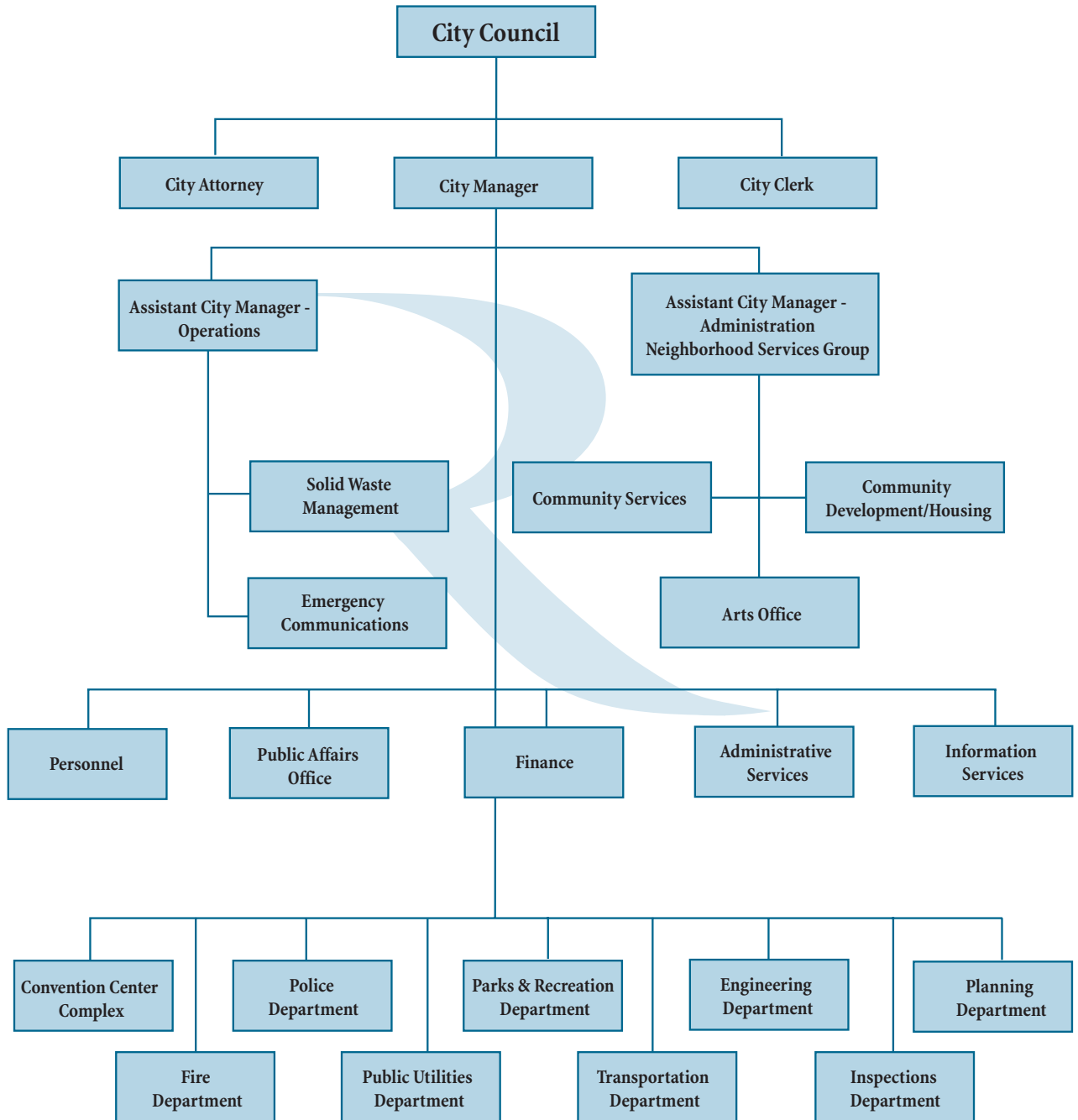
Perry E. James, III, DIRECTOR OF FINANCE



J. Russell Allen

CITY WIDE ORGANIZATIONAL CHART

INTRODUCTORY SECTION



October 31, 2003



TO THE HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL CITY OF RALEIGH, NORTH CAROLINA

It is our pleasure to submit the Comprehensive Annual Financial Report of the City of Raleigh, North Carolina for the fiscal year ended June 30, 2003. State law requires that all general-purpose local governments publish within four months of the close of each fiscal year a complete set of financial statements. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report complies with these requirements.

The Comprehensive Annual Financial Report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect City assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of the internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Cherry, Bekaert & Holland, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2003 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federal and state mandated "Single Audit" designed to meet the special needs of grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These auditor reports are available in the Single Audit section of this report.

GAAP requirements specify that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

THE CITY

Raleigh is a thriving metropolitan city located in central North Carolina, 150 miles from the sandy Atlantic beaches and 190 miles from the Great Smoky Mountains. It is 370 miles north of Atlanta and 250 miles south of Washington, D. C.

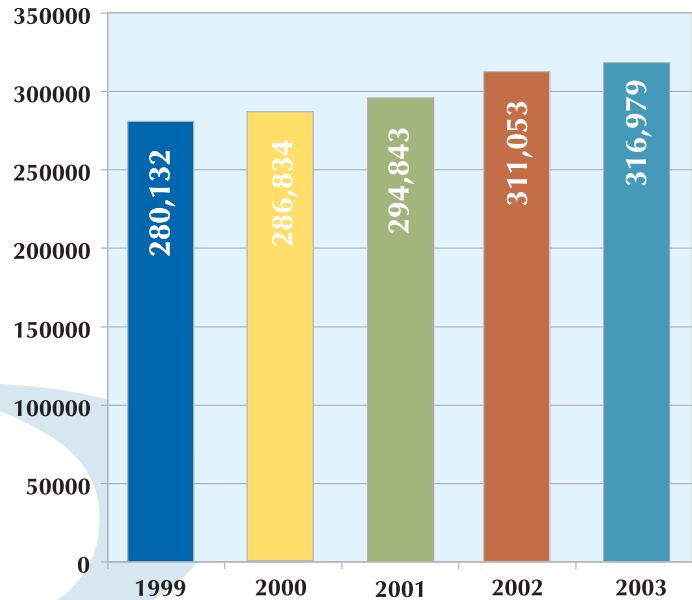
City residents pride themselves in the quality of life of the region. Open space and natural vegetation, efforts at downtown and urban renewal, the commitment to infrastructure investment, and the City's role as the government center of North Carolina all contribute to this pride. In all that it has to offer, the City warmly welcomes its visitors and new residents alike.

The North Carolina General Assembly purchased land for the original site of the city for the specific purpose of being the Capital of North Carolina. The city was incorporated in 1792 by an act of the General Assembly and now operates under the council-manager form of government. The City Council is comprised of the Mayor and seven Council Members who are responsible for the legislative affairs of the City. It also makes appointments to various statutory and advisory boards and appoints the City Manager, City Attorney and City Clerk. As chief executive officer, the City Manager is responsible for enforcement of all laws and ordinances, the efficient delivery of all City services, and preparation of capital and operating budgets.

The City provides the full range of governmental services, including police and fire protection, street construction and maintenance, a comprehensive solid waste program, water and sanitary sewer services, and parks, recreation and cultural services. Extended planning on the city's infrastructure needs occurs on an ongoing basis resulting in the present infrastructure being in excellent condition.

The estimated 2003 population for the city was 316,979, representing a 1.9% increase from the 2002 estimated population of 311,053. The city presently encompasses 127.25 square miles and employs 3,052 permanent staff. Planning projections indicate continuing growth in 2003-04.

POPULATION



ECONOMIC CONDITIONS AND OUTLOOK

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

The economy of the city is stabilized by the presence of state and local government employment markets, the college and university employment markets, and the Research Triangle Park research facilities, all of which offer substantial employment opportunities to the city's population. No major specialized industry dominates the economy of the city. As a result, the June, 2003 unemployment rate was 5.2 percent as compared to 6.6 percent statewide and 6.4 percent nationwide. The unemployment rates continue to reflect that the local economy is faring better than the state and the nation as a whole during the current economic recovery.

Recent statistical analyses continue to show the Raleigh metropolitan area to be one of the leading per capita income areas in the state and the nation. The City's taxable property base also remains strong due in part to the quality of life, which has

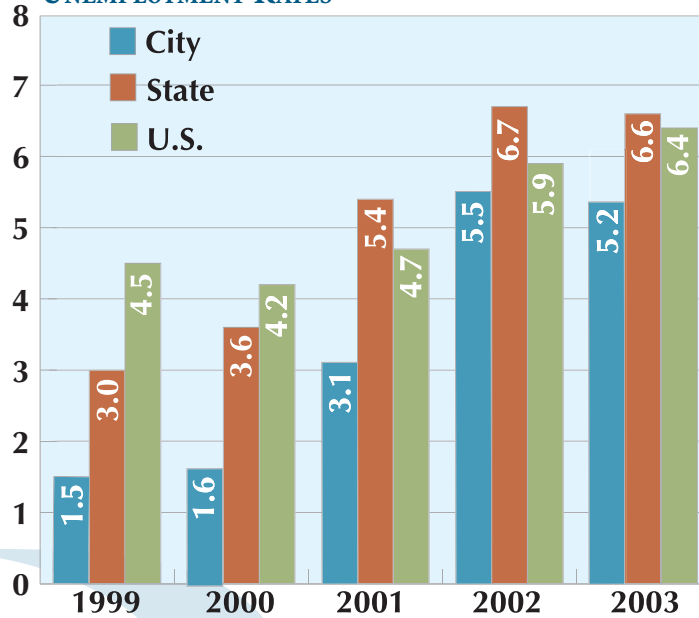
attracted industry and citizens to the Raleigh area. The level of tax base associated with new construction and the use of City services are projected to continue to increase. We will maintain our focus on having a balanced tax base with an adequate commercial and industrial base complementing our growing residential base.

The Research Triangle Park is located between Raleigh, Durham and Chapel Hill and employs over 45,000 persons. With the attractiveness of the Research Triangle Park and its proximity to three major research universities, it is no accident that medical and electronic industries flourish in the region. GlaxoSmithKline and Ajinomoto lead the medical research and production industry, with IBM, Nortel, and the Microelectronics Center of North Carolina leading the electronics research and production industry, giving both industries major presence in the region. Declining economic conditions of the last few years impacted companies in the Triangle; however, the impact was more moderate than in other parts of the state and as the economy improves it is expected that the local area will continue to recover ahead of the region and the country.

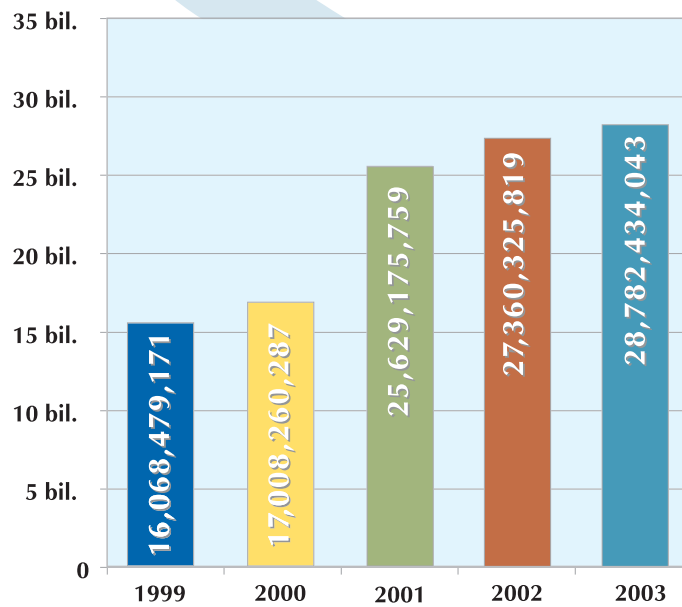
An estimated 15 million people visited Raleigh during 2002-03 for conferences, special events, shopping and other attractions. This is enhanced by a number of facilities added in recent years, including the Raleigh RBC Center, the North Carolina State Museum of Natural Sciences, the Exploris learning center for children, and the BTI Performing Arts Center. The RBC Center is the home for the National Hockey League's Carolina Hurricanes and North Carolina State University's basketball team.

The expected growth of the area will result in the continued increase in the tax base and our largest revenue source, property taxes. Our second largest revenue, sales tax, however, has been impacted by the economy and the growth of it is very moderate. The addition of a half-cent local sales tax effective December 1, 2002 helps stabilize the revenues as the economy improves. The City closely monitors its resources and has emphasized program efficiencies, cost of service strategies, and other cost containment efforts, allowing strong financial positions to be maintained. We believe that the improving economic environment in this area along with the diligent management of the City's costs and services will provide ongoing financial stability and fiscal capacity.

UNEMPLOYMENT RATES



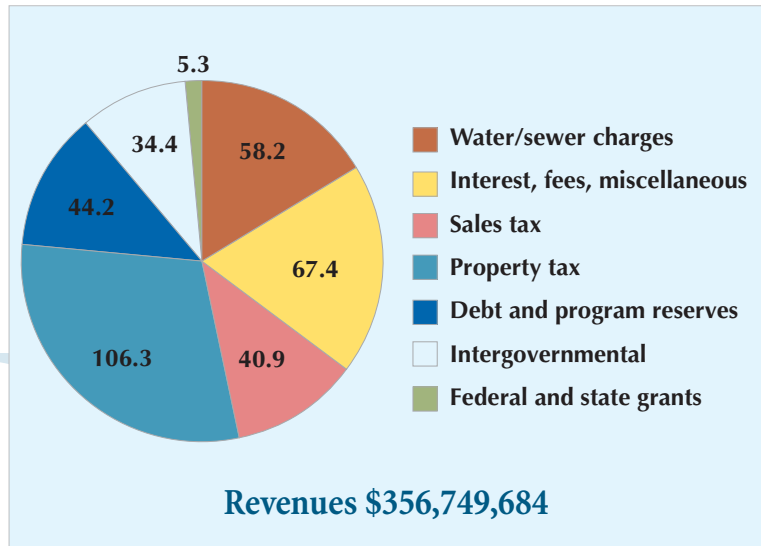
FIVE YEAR ASSESSED VALUATION



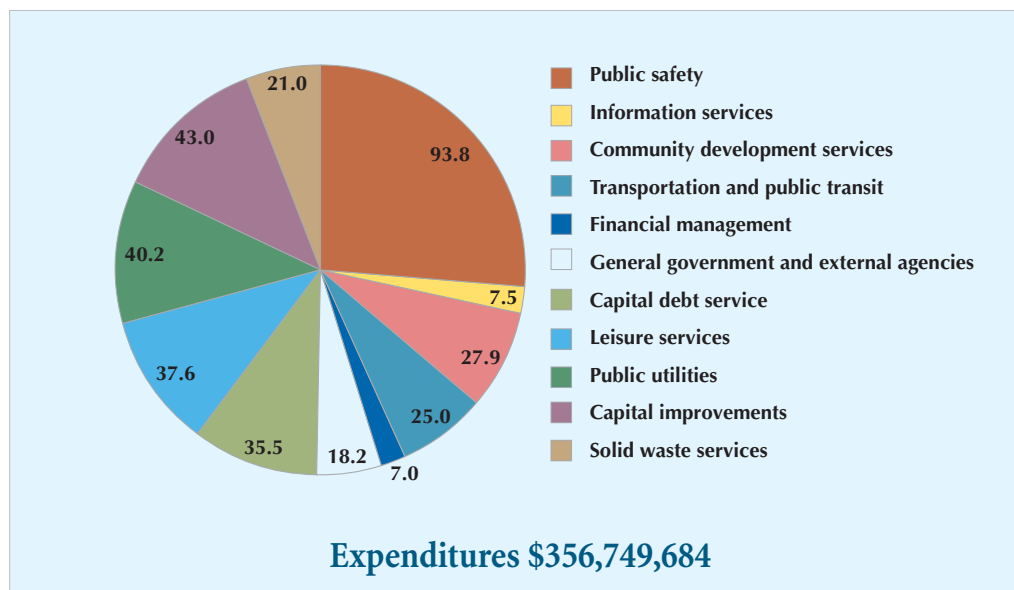
THE BUDGET PROCESS

The annual budget serves as the foundation of the City's financial planning and control. All City departments submit requests for appropriation to the Budget Office and City Manager to begin the budget process each year. These requests are used to create a final proposed budget which the City Manager presents to the City Council for review prior to June 30. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g., police). Department heads or the City Manager may make transfers of appropriations within a fund up to \$50,000. Transfers greater than \$50,000 and transfers of appropriations between funds require approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 10 as part of the basic financial statements for the governmental funds. The budget-to-actual comparisons for all other governmental funds, and certain enterprise funds, are presented in the individual fund sections of this report beginning on page 47. This includes project-length budget-to-actual comparisons for funds for which project-length budgets have been adopted.

ADOPTED BUDGET 2002-2003



ADOPTED BUDGET 2002-2003



MAJOR INITIATIVES

For the Year 2002-03

To improve the City's ability to meet long-term expectations regarding policy and fiscal initiatives, a two-year budget perspective is used, currently extending through the 2004-05 fiscal year. The budget for fiscal year 2002-03 reflected this biannual budget perspective as previously adopted by the City Council. The tax rate remained at \$.3850 for 2002-03. Residential water and sewer rates also remained the same for 2002-03.

Budget trends reflected in 2002-03 included annual budget growth for operating and capital programs of approximately 6.6 percent. All major City programs were continued, including further staffing to accommodate continued growth in service population.

The Capital Budget for 2002-03 included a variety of major facility improvements consistent with the City's 10-year Capital Improvement Program. Included were major street improvements, water and sewer projects, park and greenway improvements and acquisitions, stormwater improvements, and other public projects. Also, a citywide technology fund was established with an initial investment of \$4 million in order to better manage the City's technology requirements. Revenue sources for such capital improvements include general obligation and revenue bonds, intergovernmental revenues, annual utility revenues and other designated sources. This continued our approach to financing infrastructure and other capital improvements by a combination of annual revenues and long-term financing.

The 2002-03 adopted budget included a \$15.9 million contingency plan to address the on-going uncertainty of certain state shared reimbursements. The state's final budget action approved a new half-cent local option sales tax effective December 1, 2002. This, along with other legislation restricting the Governor's ability to withhold local 'pass-through' revenues, allowed the City to fund almost all of the budget items that were set as contingencies.

In December 2002, a severe winter storm struck central North Carolina, including Raleigh. The City incurred over \$13 million in clean up and recovery costs. The City funded the recovery with operating and capital transfers in anticipation of reimbursement from federal and state emergency management programs. To date, \$7.2 million has been reimbursed, with the remainder being a receivable at year-end.

For the Future

The fiscal year 2003-04 budget was recommended and adopted, in accordance with the biannual budget policy. The tax rate of \$.3850 set in fiscal year 2002-03 remained the same. Water and sewer rates were increased 5% and 9% respectively in order to continue revenue growth and accelerate plant investment in water and wastewater operating and capital programs.

Other major features of the 2003-04 budget included the following:

- (1) Staffing increases required to support continued growth in service population were deferred until January 2004 as a cost savings measure;
- (2) Increase in the monthly solid waste fee from \$5.00 to \$7.00 per household in order to continue our effort to more closely match the fee and the cost for solid waste services;
- (3) Implementation of a stormwater utility fee in order to manage a comprehensive, citywide stormwater management strategy. Implementation of the \$4.00 monthly fee per household and the equivalent fee for commercial property based upon impervious surface is scheduled for April 1, 2004;
- (4) Complete integration of the supplemental sales tax revenue as a component of the City's general fund;
- (5) Continuation of all employee compensation and benefit plans, including funding for a comprehensive pay classification study.

Capital improvements in 2003-04 continued focus on a wide range of very key projects. These included traditional funding to the transportation street system, utility projects, parks and greenways, stormwater projects, technology projects, housing and other general public projects. Current economic conditions have limited the planning capacity for traditional pay-as-you-go capital investments and have caused deferred and re-directed funding of capital projects. Future capital budgets anticipate more private-public partnerships for items such as downtown investment as a means of supplementing traditional capital funding sources.

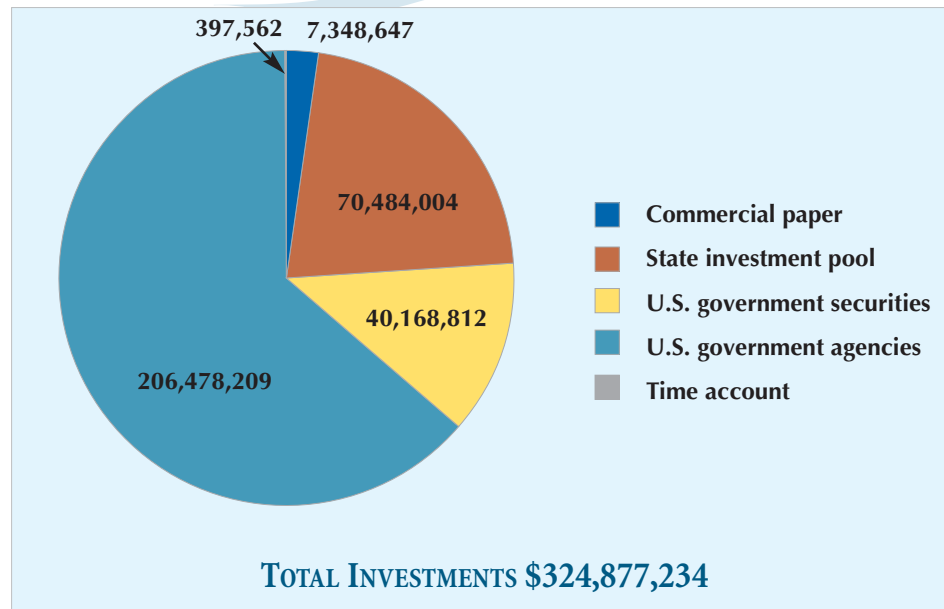
CASH MANAGEMENT

Effective forecasting of cash requirements has allowed maximum investment of available cash resources. However, the overall economic conditions have resulted in continuing declines in investment yields. Earnings on investments were \$7,366,862 during 2002-03. This represents a decrease from the prior year of \$4,142,198. The City executed an interest rate swap which effectively added \$1,031,594 to City revenues.

The investment policy of the City is guided in large part by State Statute, whereby investments in certificates of deposit, repurchase agreements, secured time deposits, banker's acceptances, commercial paper, United States government and agency securities and the North Carolina Capital Management Trust are made.

The City's policy stipulates that investments be fully secured by pledged collateral, delivered securities or United States government guarantee with all securities, including repurchase agreements and pledged collateral, being delivered to a third party safekeeping accounts in the name of the City.

INVESTMENT PORTFOLIO JUNE 2003



RISK MANAGEMENT

The City provides a comprehensive and varied plan of risk management. We continue to evaluate efforts in loss control through safety programs and have a broad plan for insuring against risk exposure. Workers' compensation is self-insured up to \$1,000,000 per accident, and public officials' liability is fully self-insured. For liability risks, the City self-insures the first \$1,000,000 per occurrence, with excess coverage of \$10,000,000 per occurrence and an annual aggregate stop-loss of \$3,000,000 purchased through the private sector. For property risks, the City self-insures the first \$100,000 per occurrence, with excess coverage up to the replacement value purchased through the private sector. An annual actuarial review is performed to measure expected risk amounts and to determine required funding levels. Adverse experience on prior years open claims during 2002-03 resulted in a significant increase in required funding levels and a deficit reserve at year end. This will require increased future contributions from the City. Employee health and medical coverage is provided by a medical insurance trust that was established by the City as a self-insurance fund to pay the claims of City employees and their covered dependents. In recent years, higher levels of claim activity resulted in the need for a significant City contribution increase for fiscal year 2002-03. This increase in contributions and a decline in claim activity have improved the City's reserve to an acceptable level. The employee health and medical program, as well as risk management activities are accounted for in internal service funds.

PENSION AND OTHER POSTEMPLOYMENT BENEFITS

The City fully funds the Law Enforcement Officers' Special Separation Allowance Plan on an actuarial basis. The operations of the Plan through the current year have resulted in a net pension asset of \$1,806,387. The City actuarially funds this program such that future unfunded liabilities will be funded at the time such obligations are required to be liquidated. The annual actuarial valuation reflects funding requirements, which the City fully expects to fund on an ongoing basis. Law enforcement officers also receive a 5% City contribution to a section 401K Deferred Compensation Plan and may make voluntary contributions to it.

The City's general supplemental retirement program has three plans within it. The Supplemental Money Purchase Pension Plan for general governmental employees has accumulated employer share contributions of \$11,811,517. It is expected that this plan will continue to accumulate values over time consistent with employer levels of participation. Employees' contributions to the general supplemental retirement program are maintained in a separate Section 457 Deferred Compensation Plan. General governmental employees can also participate in a Section 401K Deferred Compensation Plan. The City is not required to report the 457 or 401K plans as part of its financial statements.

The City of Raleigh also provides postretirement health and dental care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 599 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP provisions do not currently require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the City of Raleigh's pension arrangements and postemployment benefits can be found in the notes to the financial statements.

AWARDS AND ACKNOWLEDGMENTS

The City has participated in the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program since 1980. GFOA recognizes governmental units that issue their comprehensive annual financial report (CAFR) substantially in conformity with GAAP and all legal requirements. The City has received this award for its comprehensive annual financial report for all years beginning in 1980, including the 2002 report.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report has been accomplished by the efficient and dedicated Finance Department staff, with assistance from the independent auditors, Cherry, Bekaert & Holland, LLP. The contributions of all are invaluable and clearly reflect the high standards we have set for ourselves.

It is also appropriate to thank the Mayor and members of the City Council for making possible the excellent financial position of the City through their interest and support in planning and conducting the financial affairs of the City.

Respectfully submitted,



J. Russell Allen
City Manager



Perry E. James III
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Raleigh,
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



CITY OF RALEIGH, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

BASIC FINANCIAL STATEMENTS

The ***Basic Financial Statements*** provide a dual perspective summary overview of the financial position and operating results of the government as a whole (government-wide financial statements) and of all funds (fund financial statements). They also serve as a condensed introduction to the more detailed statements and schedules that follow.



INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members
of the City Council and City Manager
City of Raleigh, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Raleigh, North Carolina (the City), as of and for the year then ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2003, and the respective changes in financial position and the cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, the schedules of funding progress, employer contributions and the notes to the required schedules for the Law Enforcement Officers' Special Separation Allowance are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the City. The combining and individual nonmajor fund statements and schedules, as well as the accompanying schedule of expenditures of Federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report and, accordingly, we express no opinion on such data.

CHERRY, BEKAERT & HOLLAND, L.L.P.

Cherry, Bekaert & Holland, LLP

Raleigh, North Carolina
October 31, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Raleigh (the *City*), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2003. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Raleigh exceeded its liabilities at the close of the most recent fiscal year by \$1.1 billion (net assets). Of this amount, \$217.0 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$192.3 million. Approximately 88.0% of this total amount, \$169.2 million, is available for spending at the government's discretion (unreserved fund balance). A large part of this amount is either designated or appropriated for continuing activities of the City.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$65.8 million or 31 percent of total general fund expenditures. Of that amount, \$28.4 million is undesignated and represents a traditional fund balance reserve maintained for emergencies, liquidity and overall financial strength.
- The City of Raleigh's total long-term obligations increased by a net of \$38.5 million during the current fiscal year. The issuance of new debt (\$80.5 million) exceeded principal repayments (\$43.7 million) by \$36.8 million. Other long-term obligations (earned vacation pay, landfill closure and postclosure care, other) increased by \$1.7 million.
- The City issued \$63.9 million in general obligation bonds including \$18 million in refunding bonds.
- The City also issued \$13.7 million in certificates of participation for equipment replacement funding and \$2.9 million in other financing agreements.
- The City of Raleigh maintained its AAA bond rating from all three major rating agencies.
- On a government-wide basis for governmental activities, the City had expenses net of program revenues of \$169.9 million, which were \$1.2 million less than the general revenues of \$171.1 million.
- On a government-wide basis for business-type activities, the City had expenses net of program revenues of \$1.3 million.

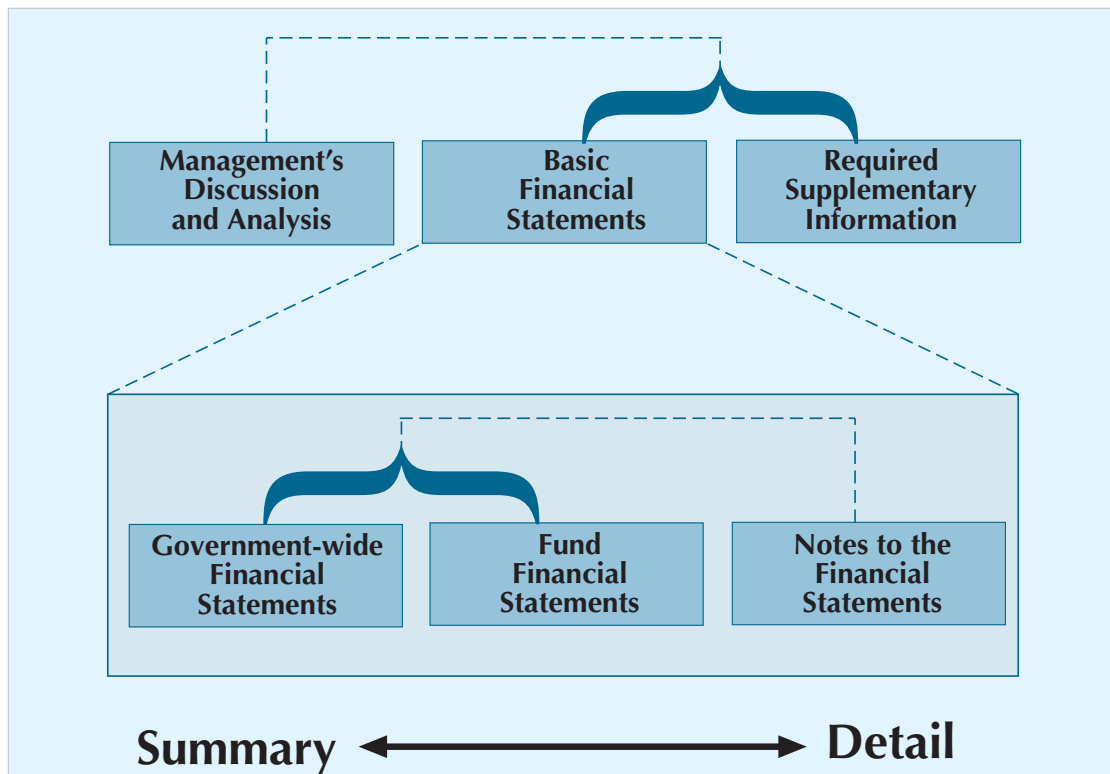
OVERVIEW OF THE FINANCIAL STATEMENTS

This comprehensive annual financial report consists of four sections: introductory, financial, statistical and single audit. As Figure A-1 shows, the financial section has four components – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and a section that presents combining statements for nonmajor governmental funds, nonmajor enterprise funds, internal service funds, fiduciary funds and individual fund statements. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.

- Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the water and sewer system.
- Fiduciary fund statements provide information about the financial relationships—like the retirement plan for the City's employees—in which the City acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

FIGURE A-1
COMPONENTS OF THE FINANCIAL SECTION
CITY OF RALEIGH COMPREHENSIVE ANNUAL FINANCIAL REPORT



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, nonmajor enterprise funds and internal service funds, each of which are added together and presented in single columns in the basic financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. This statement combines and consolidates governmental fund's current financial resources (short-term

spendable resources) with capital assets and long-term obligations. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City of Raleigh is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). This is intended to simplify and summarize the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities. The governmental activities of the City include general government, community development, public safety, solid waste services, leisure services, and economic development programs. The business-type activities of the City include water and sewer, parking facilities, mass transit and stormwater management.

The government-wide financial statements include the Walnut Creek Financing Assistance Corporation (WCFAC, *a blended component unit*). The WCFAC, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 1 - 3 of this report.

Fund financial statements. Traditional users of governmental fund financial statements will find the fund financial statements presentation more familiar. However, the focus is on major funds, rather than the individual fund types. The fund financial statements provide a more detailed look at the City's most significant activities.

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Raleigh, like all other governmental entities in North Carolina, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, such as the general statutes or the City's budget ordinance. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains eighteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, housing bond and community development funds, all of which are considered to be major funds. Data from the other fifteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 4 -11 of this report.

Proprietary funds. The City of Raleigh maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, parking facilities, mass transit and stormwater management operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Raleigh uses internal service funds to account for its print services, risk management, employee's health benefits, governmental and public utilities equipment replacement and vehicle fleet services funds. All of these services predominantly benefit governmental functions except for the public utilities equipment replacement fund, which predominantly benefits business-type functions. These services have been included within their respective predominant activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the two major enterprise funds, the water and sewer fund and the parking facilities fund. Conversely, the nonmajor enterprise funds and all internal service funds are combined into single, aggregated presentations in the proprietary fund financial statements. Individual fund data for the nonmajor enterprise funds and the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 12 - 16 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 17 - 18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 - 44 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Raleigh's progress in funding its obligation to provide pension benefits to its law enforcement officers. Required supplementary information can be found on pages 45 - 46 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 47 - 101 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Raleigh, assets exceeded liabilities by \$1.1 billion at the close of the most recent fiscal year.

By far the largest portion of the City of Raleigh's net assets (\$840.9 million or 74.4 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Raleigh uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City of Raleigh's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table reflects the condensed Statement of Net Assets.

TABLE 1
CITY OF RALEIGH'S NET ASSETS (IN MILLIONS OF DOLLARS)

	Governmental		Business-type		Total	
	activities		activities		Total	
	2002	2003	2002	2003	2002	2003
Current and other assets	\$ 258.2	\$ 282.7	\$ 130.1	\$ 128.5	\$ 388.3	\$ 411.2
Capital assets	540.6	565.4	537.7	556.4	1,078.3	1,121.8
Total assets	798.8	848.1	667.8	684.9	1,466.6	1,533.0
Long-term debt outstanding	142.9	185.9	152.2	147.7	295.1	333.6
Other liabilities	33.8	37.2	26.9	31.6	60.7	68.8
Total liabilities	176.7	223.1	179.1	179.3	355.8	402.4
Invested in capital assets, net of related debt	434.7	449.7	404.6	417.5	839.3	867.2
Restricted	44.4	46.4	-	-	44.4	46.4
Unrestricted	143.0	128.9	84.1	88.1	227.1	217.0
Total net assets	\$ 622.1	\$ 625.0	\$ 488.7	\$ 505.6	\$ 1,110.8	\$ 1,130.6

An additional portion of the City's net assets (\$46.4 million or 4.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$217.0 million or 19.2 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Raleigh is able to report positive balances in all three categories of net assets both for the City as a whole, as well as for its separate governmental and business-type activities.

The City's net assets increased by \$18.0 million during the current fiscal year. The following table summarizes the changes in net assets.

TABLE 2
CITY OF RALEIGH'S CHANGES IN NET ASSETS (IN MILLIONS OF DOLLARS)

	Governmental		Business-type		Total	
	activities		activities		Total	
	2002	2003	2002	2003	2002	2003
Revenues						
Program revenues:						
Charges for services	\$ 27.5	\$ 32.5	\$ 66.1	\$ 62.9	\$ 93.6	\$ 95.4
Operating grants and contributions	15.2	25.2	3.3	3.5	18.5	28.7
Capital grants and contributions	28.7	21.3	19.3	16.2	48.0	37.5
General revenues:						
Property taxes	102.0	107.5			102.0	107.5
Other taxes	62.6	72.2			62.6	72.2
Grants and contributions not restricted to specific programs	1.0	1.0			1.0	1.0
Other	9.0	6.3	4.1	2.2	13.1	8.5
Total revenues	246.0	266.0	92.8	84.8	338.8	350.8
Expenses:						
General government	23.0	27.6			23.0	27.6
Community development services	51.8	53.1			51.8	53.1
Public safety	86.2	90.3			86.2	90.3
Solid waste services	18.0	19.4			18.0	19.4
Leisure services	39.3	48.6			39.3	48.6
Economic development programs	2.3	3.6			2.3	3.6
Interest on long-term debt	6.8	6.4			6.8	6.4
Water and sewer			60.2	64.8	60.2	64.8
Mass transit			12.1	13.6	12.1	13.6
Parking facilities			2.5	2.8	2.5	2.8
Stormwater			-	2.7	-	2.7
Total expenses	227.4	249.0	74.8	83.9	302.2	332.9
Increase in net assets before transfers	18.6	17.0	18.0	0.9	36.6	17.9
Transfers	(9.3)	(15.9)	9.3	15.9	-	-
Increase in net assets	9.3	1.1	27.3	16.8	36.6	17.9
Net assets, beginning of year	612.6	623.8	461.5	488.8	1,074.1	1,112.6
Net assets, end of year	\$ 621.9	\$ 624.9	\$ 488.8	\$ 505.6	\$ 1,110.7	\$ 1,130.5

Change in net assets. The City's total revenues were \$350.8 million. Thirty-one percent of the City's revenue comes from property taxes; another twenty-one percent comes from other taxes. Fees charged for services account for twenty-seven percent and most of the rest is state and federal grants and other contributions.

The total cost of all programs and services was \$332.9 million. The City's expenses cover a range of services, with twenty-seven percent related to public safety (police, fire and emergency communications), twenty percent to utilities (water and sewer), and thirteen percent related to community development services (engineering, planning, transportation, inspections, community services, and economic development).

GOVERNMENTAL ACTIVITIES

Revenues for the City’s governmental activities were \$266.0 million, while total expenses were \$249.0 million. The increase in net assets for governmental activities (after transfers of \$15.9 million) was \$1.1 million in 2003.

Even though the property tax rate remained unchanged at \$0.385 (per \$100 valuation of taxable property), tax revenues increased \$5.5 million to \$107.5 million due to annexation and general economic growth and development in the City. Property taxes represent 40.4% of total governmental revenues. Other taxes, which accounted for 27.1% of total governmental revenues, increased \$9.6 million from 2002.

REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES

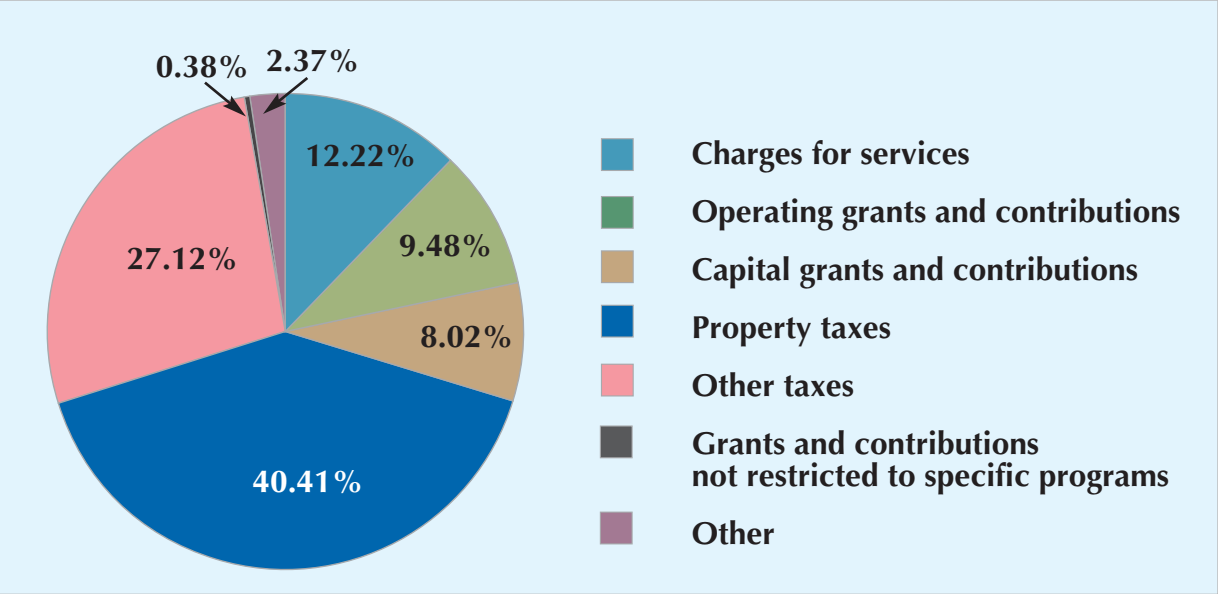


Table 3 presents the cost of each of the City’s four largest programs – public safety, community development services, leisure services, and solid waste services – as well as each program’s net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial support provided by the City’s taxpayers for these functions.

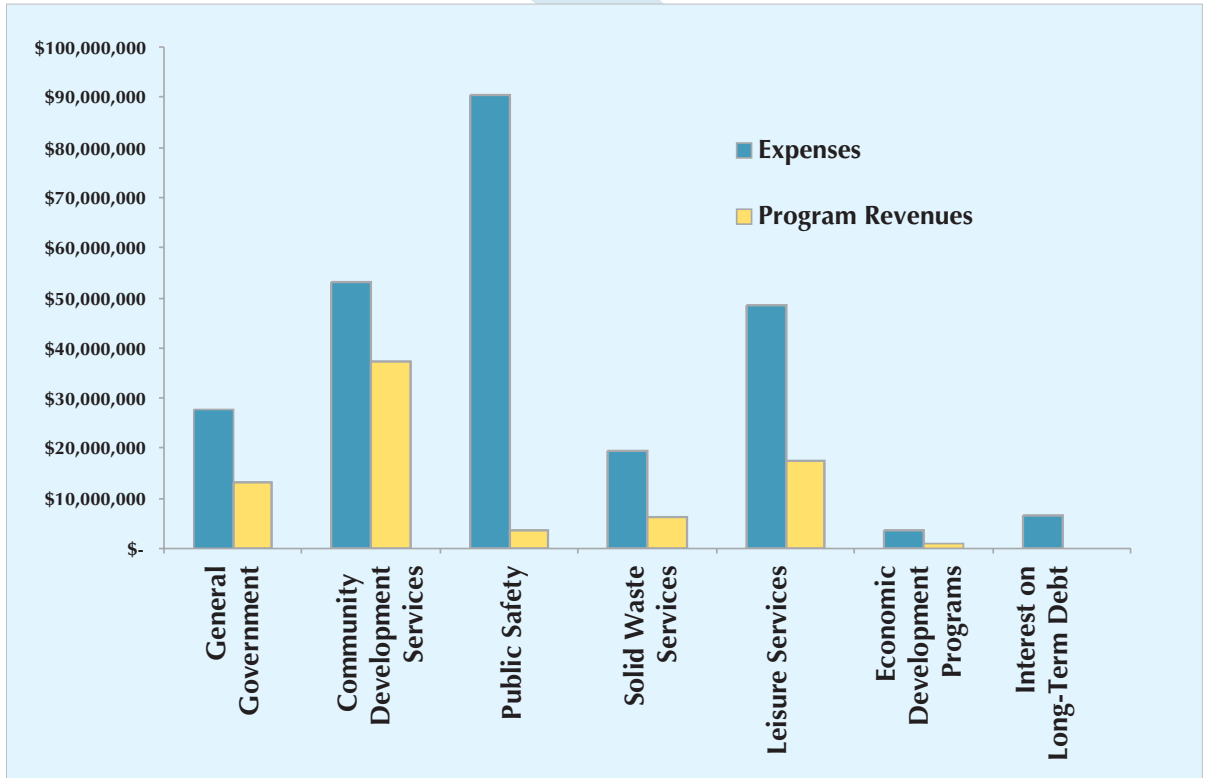
TABLE 3
NET COST OF CITY’S GOVERNMENTAL PROGRAMS (IN MILLIONS OF DOLLARS)

	Total Cost of Services		Net Cost of Services		
	2002	2003	2002	2003	
Public safety	\$ 86.2	\$ 90.3	\$ (81.7)	\$ (86.5)	
Community development services	51.8	53.1	(5.3)	(15.7)	
Leisure services	39.3	48.6	(22.6)	(31.0)	
Solid waste services	18.0	19.4	(15.6)	(13.2)	

The reported results for the fiscal year show that:

- The cost of all governmental activities this year was \$249.0 million.
- The amount that our taxpayers paid for these activities through property taxes was \$107.5 million.
- Those who directly benefited from service-fee based programs paid \$32.5 million in charges for services.
- Other governments and organizations subsidized certain programs with grants and contributions (\$46.5 million) including capital contributions from annexations (\$14.2 million) and operating support for emergency disaster recovery costs (\$12.2 million).
- The City received \$171.1 million in general revenues from taxes and other revenues such as interest and unrestricted grants, which was used to pay for the \$169.9 million net cost of governmental activities.
- The City's four largest governmental programs – public safety (36.1%), community development services (21.2%), leisure services (19.6%) and solid waste services (7.6%) represent 84.5% of the total governmental activities.

EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES



BUSINESS-TYPE ACTIVITIES

Revenues of the City's business-type activities were \$84.8 million, and expenses were \$83.9 million. The increase in net assets for business-type activities (after transfers in of \$15.9 million) was \$16.8 million in 2003. Table 4 shows the total cost and net cost or revenue for these services.

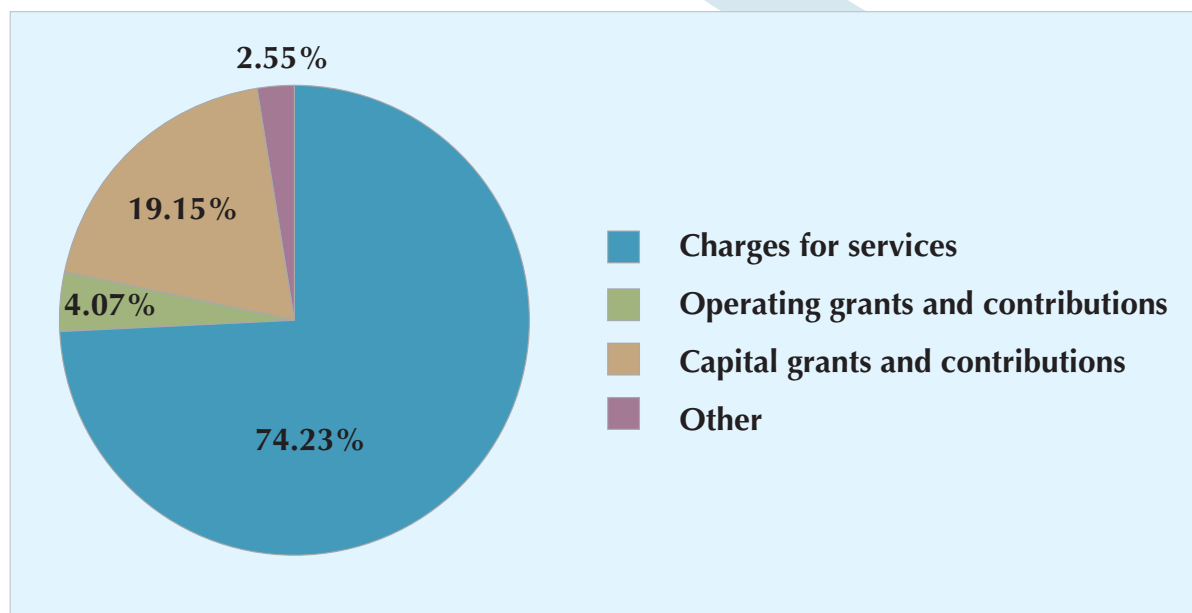
TABLE 4

NET COST OF CITY'S BUSINESS-TYPE ACTIVITIES (IN MILLIONS OF DOLLARS)

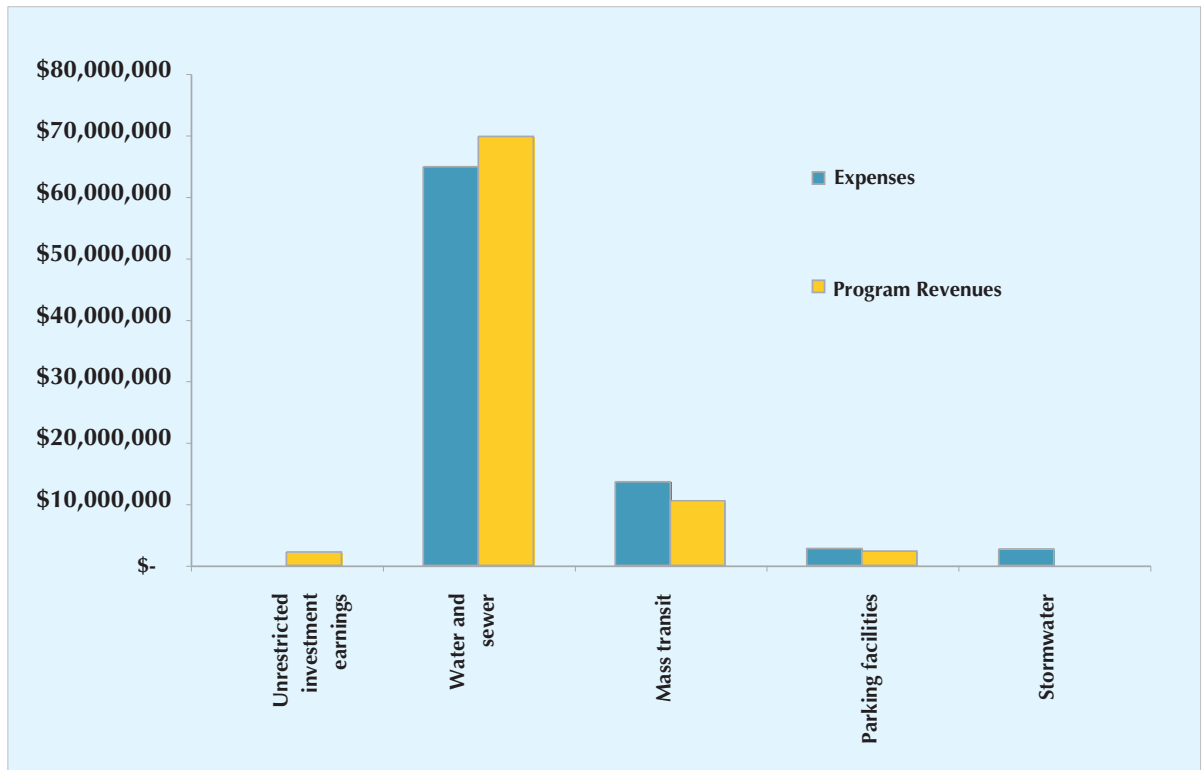
	Total Cost of Services		Net (Cost) Revenue of Services	
	2002	2003	2002	2003
Water and sewer	\$ 60.2	\$ 64.8	\$ 20.7	\$ 4.9
Mass transit	12.1	13.6	(6.5)	(3.1)
Parking facilities	2.5	2.8	(0.3)	(0.4)
Stormwater	-	2.7	-	(2.6)
Total	\$ 74.8	\$ 83.9	\$ 13.9	\$ (1.2)

Several factors contributed to the resulting net revenue or net cost of services. The decrease in net revenue in the water and sewer operation, from \$20.7 million to \$4.9 million is attributable to the following conditions: expenses increased \$4.6 million primarily for increased plant maintenance and operating costs; a severe summer drought forcing mandatory usage restrictions and a disputed water supply contract with the Town of Cary, North Carolina, resulted in a \$3.3 million decrease in user charges for services; and capital grants and contributions which are primarily annexations, slowed from \$19.1 million to \$11.2 million. The net cost of operating the mass transit system, representing the City's commitment to subsidize public transportation with general tax dollars, decreased from \$6.5 million to \$3.1 million. However, the decrease in this subsidy includes \$5.0 million in federal and state capital grants used to purchase new equipment. The net cost of service in our parking operations remained virtually unchanged, from \$0.3 million to \$0.4 million as no new facilities were brought on-line during 2002-03. The net cost of services in the stormwater utility operations (\$2.6 million) results from the initial start-up of this business activity. User charges do not go into effect until April, 2004.

REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



EXPENSES AND PROGRAM REVENUES - BUSINESS-TYPE ACTIVITIES



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Raleigh uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the City of Raleigh's governmental funds reported combined ending fund balances of \$192.3 million, an increase of \$9.8 million in comparison with the prior year. Approximately 87.9% of this total amount (\$169.2 million) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$3.7 million), reserved for inventories (\$1.7 million), or reserved by state statute (\$17.7 million).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$65.9 million, while total fund balance was \$89.0 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 31.1 percent of total general fund expenditures, while total fund balance represents 42.0 percent of that same amount.

The North Carolina Local Government Commission strongly recommends that local governments maintain an undesignated fund balance of at least 8% of general fund expenditures. The City's policy is to maintain an undesignated fund balance of at least 14% of the succeeding year's expenditure balance. Undesignated fund balance is a sub classification of unreserved fund

balance after consideration for management's policy designations. The City's designations of unreserved fund balance total \$37.1 million as specified on page 24 of the notes to the financial statements. This includes \$17.6 million appropriated for 2003-04. The remaining unreserved fund balance of \$28.8 million is undesignated and represents 11.08% of the 2003-04 general fund expenditure budget. However, when adjusted for the first year change in designated fund balance due to accounting for the sales tax receivable completely in the general fund, the undesignated fund balance benchmark is 13.42%.

The fund balance of the City's general fund decreased by \$4.3 million during the current fiscal year. Key factors in this decrease are as follows:

- The economy continued to adversely impact local sales taxes, interest income, parks and recreation fees, and convention center fees as these revenues incurred significant negative budget variances in 2002-03.
- Transfers to support other funds increased \$7.3 million in 2002-03 from \$10.3 million to \$17.6 million

Other major governmental funds are the housing bond fund and the community development fund. These funds qualify as major funds primarily because of the loans receivable balance reported in each fund (\$16.4 million and \$13.1 million respectively). These loans are made for home ownership, housing rehabilitation, downtown revitalization, and economic development. Loan programs are funded with general obligation bond proceeds, federal funds (various HUD grants), on-going loan repayment proceeds, rents and property sale proceeds. At June 30, 2003 the housing bond fund's unreserved fund balance was \$3.1 million which reflects a \$2.9 million decrease from the prior year-end. The community development fund has no fund balance as all assets (other than loan balances) at any time are obligated as escrow deposits for loan projects or due to the general fund for advances against undrawn grant awards.

Proprietary funds. The City of Raleigh's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The major enterprise funds are the water and sewer and parking facilities funds.

Net assets of the water and sewer fund at the end of the year amounted to \$447.3 million. Net assets of the parking facilities fund amounted to \$34.7 million at the end of the year. The net assets of the water and sewer fund increased by \$5.9 million. The parking facilities fund realized a growth of \$1.8 million in net assets. Significant factors in the increase in the water and sewer net assets were annexations. These actions together with other capital contributions resulted in total capital contributions of \$11.2 million. Transfers of \$2.0 million from the general fund account for the difference between the cost of services in Table 4 and the change in net assets for the mass transit and parking facilities operations. Other factors affecting the results of these operations are discussed in page MD&A - 10.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were relatively minor, with appropriations increasing only \$1.6 million during 2002-03. The final positive budget variance of \$20.5 million resulted primarily from the \$20.7 million positive expenditure variance. This positive variance offset the final \$1.4 million negative revenue variance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City of Raleigh's investment in capital assets for its governmental and business type activities as of June 30, 2003, amounts to \$1.1 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, and machinery, streets and sidewalks, equipment, furniture and fixtures, and improvements. The total increase in the City's investment in capital assets for the current fiscal year was 4.0 percent (a 4.6 percent increase for governmental activities and a 3.5 percent increase for business-type activities).

Major capital asset investments during the fiscal year included the following:

- Construction began and/or was completed for a variety of street projects, parks and greenways, and fire stations. Total construction was \$31.6 million, including construction in progress of \$10.2 million as of June 30, 2003.
- Construction began and/or was completed on additional facilities for the water and sewer operations. Total construction was \$17.5 million including construction in progress of \$3.6 million as of June 30, 2003.
- Equipment acquisitions added \$3.9 million to the City's rolling stock inventory.
- 20 new buses totaling \$5.2 million were purchased in 2002-03. These purchases were primarily funded with federal and state grants.
- Initial investment in the City's new technology capital projects fund resulted in the initiation of three major projects – business continuity, dynamic information gateway, and time and attendance.

TABLE 5
CITY OF RALEIGH'S CAPITAL ASSETS
(NET OF ACCUMULATED DEPRECIATION – STATED IN THOUSANDS)

	Governmental			Business-type			Total	
	activities			activities				
	2002		2003	2002		2003	2002	2003
Land	\$ 96,899		102,980	\$ 23,013		\$ 25,988	\$ 119,912	\$ 128,968
Buildings and machinery	73,271		75,231	40,837		39,730	114,108	114,961
Water and sewer systems	-		-	415,610		429,905	415,610	429,905
Streets and sidewalks	250,601		265,968	-		-	250,601	265,968
Parking decks	-		-	36,190		35,202	36,190	35,202
Buses	-		-	5,331		8,977	5,331	8,977
Equipment	17,211		14,890	8,993		8,743	26,204	23,633
Furniture and fixtures	484		393	7		5	491	398
Improvements	85,302		95,763	3,446		4,281	88,748	100,044
Construction in progress	16,877		10,164	4,339		3,588	21,216	13,752
Total	\$ 540,645		\$ 565,389	\$ 537,766		\$ 556,419	\$ 1,078,411	\$ 1,121,808

Additional information on the City's capital assets can be found on pages 27 - 29 of the notes to the financial statements of this report.

Long-term debt. In November 2002, the City sold \$63.9 million in general obligation bonds (including refunding bonds of \$17,960,000) at an average interest cost of 3.7%. These tax-exempt bonds, which mature incrementally over the next 20 years, will be used to finance public improvements. At the end of the current fiscal year, the City had total general obligation debt outstanding of \$138.9 million. The remainder of the City's debt represents revenue bonds, notes, and other obligations secured solely by specified revenue sources and property. The City's total liability for bonded debt and other installment financing agreements increased by \$36.8 million (13 percent) during the fiscal year, as new debt issues of \$80.5 million exceeded principal repayments of \$43.7 million. An interest rate swap agreement on \$50 million of general obligation debt earned \$1.0 million in 2002-03, effectively reducing the City's total interest expense. The City has other long-term obligations for earned but unused vacation pay due its employees (\$13.2 million) and landfill closure and postclosure care costs (\$3.1 million).

TABLE 6

CITY OF RALEIGH'S LONG-TERM DEBT (STATED IN THOUSANDS)

	Governmental		Business-type			
	activities		activities		Total	
	2002	2003	2002	2003	2002	2003
General obligation bonds	\$ 102,690	\$ 138,880	\$ 39,350	\$ 34,940	\$ 142,040	\$ 173,820
Revenue bonds	-	-	76,640	74,495	76,640	74,495
Installment financing agreements	25,606	31,230	36,509	38,046	62,115	69,276
Total	\$ 128,296	\$ 170,110	\$ 152,499	\$ 147,481	\$ 280,795	\$ 317,591

During November 2002, Moody's Investors Services, Inc., Standard & Poor's (S&P), and Fitch, Inc. reaffirmed the City of Raleigh's triple-A bond ratings, in conjunction with the issuance of \$63.9 million in general obligation bonds. Raleigh is one of the few cities in the nation that enjoys the highest financial category from all three major rating agencies.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of the total assessed value of taxable property. The current debt limitation for the City is \$2.3 billion, which is significantly in excess of the City's outstanding general obligation debt of \$173.9 million.

Additional information on the City of Raleigh's long-term debt can be found in the notes to the financial statements on pages 31 - 37 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Significant factors considered in preparing the City's budget for the 2003-04 fiscal year were:

We expect continued growth in the area to increase our tax base, and as a result, increase our largest revenue source, property taxes. Therefore, the property tax rate remained unchanged from 2002-03 at \$0.3850; however budgeted property tax revenue was increased \$3.8 million (3.5%) to \$110.1 million.

In December 2002, the state approved a new half-cent local option sales tax partly to replace traditional state shared revenues no longer available to local governments. 2003-04 will be our first full year with this new sales tax available. Sales tax is our second largest revenue source and in 2003-04, we have completely integrated all sales tax revenue as a component of our general fund. Sales tax has been impacted by the economy for several years. We anticipate only moderate growth in this revenue source. We have budgeted sales tax revenues for 2003-04 at \$48.2 million, which is a \$1.7 million (3.6%) increase over 2002-03.

The expected continued growth noted above is also anticipated in our water and sewer utility customer base. Our immediate five-year capital improvement program (2003-04 through 2007-08) recommends \$215.4 million of capital investment to upgrade, expand, and improve water and sewer facilities. These will be funded by operating revenues and debt proceeds. Anticipating these needs, water and sewer rates were increased 5% and 9% respectively, in 2003-04.

We have continued to implement a cost of service philosophy with fee increases in several programs. These include solid waste services and stormwater management. The monthly household solid waste fee was increased from \$5.00 to \$7.00. The new stormwater fee will finance a comprehensive, city-wide stormwater management strategy. A \$4.00 monthly fee for households and a fee for commercial property based on an equivalent square footage charge for impervious surface area are scheduled to begin April 1, 2004.

Future capital budgets anticipate more private-public partnerships for projects, particularly in the downtown area, as a means of supplementing traditional capital funding sources. A \$14 million, one thousand space parking deck project is currently underway in conjunction with the new Progress Energy headquarters project. We expect to break ground in 2004 on a new \$180

million convention center which will include partnering with a major hotel developer. Also, we expect to invest \$10 million in completely renovating the Fayetteville Street pedestrian mall and returning vehicular traffic to the City's "Main Street."

As a result of these and other factors the 2003-04 budget was adopted with an overall combined operating and capital budget of \$378.9 million. This represents a 6.2% increase over the \$356.7 million budget adopted for 2002-03. The budget included 58 new positions required to support continued growth in service population. As a cost savings measure, staffing increases were deferred until January 2004.

OTHER SIGNIFICANT MATTERS

In December 2002, a severe winter ice storm struck central North Carolina, including Raleigh. The City incurred over \$13 million in clean-up and recovery costs. The recovery effort was funded with operating and capital transfers further deferring certain capital projects. We anticipate complete reimbursement from federal and state emergency management programs. To date \$7.2 million has been reimbursed, with the remainder being a receivable at June 30, 2003. As we realize reimbursements, we expect to re-establish deferred capital projects.

We expect to continue our program to regionalize local water and sewer systems. In the past several years, we have successfully completed mergers with the Towns of Garner and Rolesville. During 2003-04, a merger of the Town of Wake Forest utility will be pursued, with an expected effective date of July 1, 2004. Other system mergers are anticipated in the next several years after that.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Raleigh's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the:

Office of the Director of Finance
City of Raleigh
PO Box 590
Raleigh, North Carolina 27602

(919) 890-3226



BASIC FINANCIAL STATEMENTS



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City of Raleigh

Statement of Net Assets June 30, 2003

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 175,210,822	\$ 75,893,307	\$ 251,104,129
Taxes receivable, net of allowance for uncollectibles of \$5,448,698	1,707,291	-	1,707,291
Assessments receivable, net of allowance for uncollectibles of \$91,204	901,086	831,778	1,732,864
Customer receivables, net of allowance for uncollectibles of \$2,250,598	4,521	9,176,250	9,180,771
Due from other governmental agencies	10,370,445	5,961,258	16,331,703
Accrued interest receivable	597,488	93,296	690,784
Other receivables and assets	2,367,426	233,995	2,601,421
Sales tax receivable	13,633,270	788,714	14,421,984
Internal balances	(4,540,812)	4,540,812	-
Inventories	2,210,299	3,606,126	5,816,425
Deferred charges	38,084	620,810	658,894
Loans receivable	32,299,706	-	32,299,706
Cash and cash equivalents/investments - restricted deposits and bond proceeds	46,062,845	26,762,504	72,825,349
Net pension asset	1,806,387	-	1,806,387
Capital assets:			
Land and construction in progress	113,144,781	29,574,876	142,719,657
Other capital assets, net of depreciation	452,244,241	526,843,110	979,087,351
Total assets	848,057,880	684,926,836	1,532,984,716
LIABILITIES			
Accounts payable	11,169,384	10,311,440	21,480,824
Arbitrage rebate payable	726,551	154,497	881,048
Accrued salaries and employee payroll taxes	4,323,780	13,981	4,337,761
Employee taxes and related withholdings	2,370,941	-	2,370,941
Accrued interest payable	41,484	1,662,692	1,704,176
Rehabilitation loans escrow	627,530	-	627,530
Reimbursable facility fees	4,567,876	-	4,567,876
Claims payable and other liabilities	12,569,265	13,083	12,582,348
Deferred contributions from other funds	-	1,320,374	1,320,374
Unearned revenue	808,435	-	808,435
Escrow and other deposits payable from restricted assets	-	18,077,480	18,077,480
Long-term liabilities:			
Due within one year	25,736,922	11,455,379	37,192,301
Due in more than one year	160,156,024	136,274,932	296,430,956
Total liabilities	223,098,192	179,283,858	402,382,050
NET ASSETS			
Invested in capital assets, net of related debt	449,698,799	417,485,752	867,184,551
Restricted for:			
Capital projects	7,674,006	-	7,674,006
Community development projects	36,896,040	-	36,896,040
Employee retirement benefits	1,806,387	-	1,806,387
Unrestricted	128,884,456	88,157,226	217,041,682
Total net assets	\$ 624,959,688	\$ 505,642,978	\$ 1,130,602,666

The notes to the financial statements are an integral part of this statement.

City of Raleigh

Statement of Activities

For the Fiscal Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 27,606,611	\$ 547,971	\$ 12,610,607	\$ -
Community development	53,025,380	9,073,290	10,446,779	17,766,012
Public safety	90,290,836	1,896,718	1,242,163	639,800
Solid waste services	19,423,596	6,271,663	16,054	-
Leisure services	48,566,700	13,715,283	891,251	2,924,843
Economic development programs	3,592,462	1,003,091	14,600	5,230
Interest on long-term debt	6,444,622	-	-	-
Total governmental activities	<u>248,950,207</u>	<u>32,508,016</u>	<u>25,221,454</u>	<u>21,335,885</u>
Business-type activities:				
Water and sewer	64,824,590	58,550,657	-	11,195,830
Mass transit	13,636,173	2,045,831	3,448,532	5,041,663
Parking facilities fund	2,770,936	2,333,530	-	-
Stormwater	2,654,355	4,040	-	-
Total business-type activities	<u>83,886,054</u>	<u>62,934,058</u>	<u>3,448,532</u>	<u>16,237,493</u>
Total City of Raleigh	<u>\$ 332,836,261</u>	<u>\$ 95,442,074</u>	<u>\$ 28,669,986</u>	<u>\$ 37,573,378</u>

General revenues:

Taxes:

Property taxes, levied for general purpose

Local sales tax

Franchise tax

Other taxes

Privilege license tax

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning, as previously reported

Prior period adjustment (note 3c. Page 28)

Net assets - ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (14,448,033)		\$ (14,448,033)
(15,739,299)		(15,739,299)
(86,512,155)		(86,512,155)
(13,135,879)		(13,135,879)
(31,035,323)		(31,035,323)
(2,569,541)		(2,569,541)
(6,444,622)		(6,444,622)
<u>(169,884,852)</u>		<u>(169,884,852)</u>
	\$ 4,921,897	4,921,897
	(3,100,147)	(3,100,147)
	(437,406)	(437,406)
	<u>(2,650,315)</u>	<u>(2,650,315)</u>
	<u>(1,265,971)</u>	<u>(1,265,971)</u>
<u>(169,884,852)</u>	<u>(1,265,971)</u>	<u>(171,150,823)</u>
107,539,997	-	107,539,997
42,938,291	-	42,938,291
14,966,747	-	14,966,747
4,905,046	-	4,905,046
9,347,546	-	9,347,546
1,000,458	-	1,000,458
4,749,135	2,161,496	6,910,631
1,597,310	-	1,597,310
<u>(15,985,966)</u>	<u>15,985,966</u>	<u>-</u>
<u>171,058,564</u>	<u>18,147,462</u>	<u>189,206,026</u>
1,173,712	16,881,491	18,055,203
622,093,976	488,761,487	1,110,855,463
1,692,000	-	1,692,000
<u>\$ 624,959,688</u>	<u>\$ 505,642,978</u>	<u>\$ 1,130,602,666</u>

City of Raleigh

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2003**

	<u>General Fund</u>	<u>Housing Bond Fund</u>
ASSETS		
Cash and cash equivalents	\$ 83,102,854	\$ 3,324,684
Taxes receivable, net of allowance for uncollectibles of \$5,448,698	1,707,291	-
Assessments receivable, net of allowance for uncollectibles of \$47,426	284,056	-
Due from other governmental agencies	248,107	-
Accrued interest receivable	508,969	3,318
Other receivables and assets	1,335,253	-
Sales tax receivable	12,978,242	5,439
Due from other funds	900,507	-
Inventories	1,656,180	-
Other assets	898,673	-
Loans receivable	271,497	16,413,786
Cash and cash equivalents/investments - restricted deposits and bond proceeds	104,176	-
Total assets	<u>\$ 103,995,805</u>	<u>\$ 19,747,227</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 4,814,989	\$ 185,320
Arbitrage rebate payable	-	6,050
Accrued salaries and employee payroll taxes	4,304,041	-
Employee taxes and related withholdings	2,370,941	-
Rehabilitation loans escrow	-	-
Reimbursable facility fees	-	-
Claims payable and other liabilities	745,963	652
Due to other funds	26,313	-
Deferred revenue	2,756,103	16,413,786
Total liabilities	<u>15,018,350</u>	<u>16,605,808</u>
Fund balances:		
Reserved for inventories	1,656,180	-
Reserved by state statute	17,736,297	-
Reserved for encumbrances	3,703,567	-
Unreserved, reported in:		
General fund	65,881,411	-
Special revenue funds	-	3,141,419
Capital projects funds	-	-
Total fund balances	<u>88,977,455</u>	<u>3,141,419</u>
Total liabilities and fund balances	<u>\$ 103,995,805</u>	<u>\$ 19,747,227</u>

The notes to the financial statements are an integral part of this statement.

Community Development Fund	Other Governmental Funds	Total Governmental Funds
\$ 153,343	\$ 71,899,643	\$ 158,480,524
-	-	1,707,291
-	617,030	901,086
362,247	9,760,091	10,370,445
-	72,524	584,811
-	-	1,335,253
1,171	436,859	13,421,711
-	-	900,507
-	-	1,656,180
-	-	898,673
13,119,652	2,494,771	32,299,706
-	34,938,020	35,042,196
<u>\$ 13,636,413</u>	<u>\$ 120,218,938</u>	<u>\$ 257,598,383</u>
\$ 129,225	\$ 5,297,450	\$ 10,426,984
-	492,115	498,165
-	9,380	4,313,421
-	-	2,370,941
369,861	257,669	627,530
-	4,567,876	4,567,876
-	386,750	1,133,365
-	5,579,045	5,605,358
13,137,327	3,409,303	35,716,519
<u>13,636,413</u>	<u>19,999,588</u>	<u>65,260,159</u>
-	-	1,656,180
-	-	17,736,297
-	-	3,703,567
-	-	65,881,411
-	9,380,813	12,522,232
-	90,838,537	90,838,537
<u>-</u>	<u>100,219,350</u>	<u>192,338,224</u>
<u>\$ 13,636,413</u>	<u>\$ 120,218,938</u>	<u>\$ 257,598,383</u>

Continued

City of Raleigh

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2003**

Total *fund balances* for governmental funds \$ 192,338,224

Total *net assets* reported for governmental activities in the statement of net assets is
different because:

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported in the funds. (Land and construction in progress -
\$113,144,781; capital assets being depreciated, net - \$439,090,624). 552,235,405

The pension assets resulting from contributions in excess of annual required
contributions are not financial resources and therefore are not reported in the funds. 1,806,387

Internal service funds are used by management to charge the costs of certain
activities, such as print services, risk management, health benefits, equipment
replacement and central garage to individual funds. The assets and liabilities of
certain internal service funds are included in governmental activities in the statement
of net assets. 8,209,847

Loans receivable - \$32,299,706, taxes receivable - \$1,707,291, and assessments
receivable - \$901,086 will be collected after year-end, but are not available soon
enough to pay for the current period's expenditures and therefore are reported as
deferred revenue in the funds. 34,908,083

Some liabilities, including bonds payable, are not due and payable in the current
period and therefore are not reported in the funds. (General obligation bonds -
\$138,880,000; notes payable - \$10,776,574; earned vacation pay - \$11,769,769; and
landfill closure and postclosure costs - \$3,111,915). (164,538,258)

Net assets of governmental activities \$ 624,959,688

The notes to the financial statements are an integral part of this statement.

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City of Raleigh

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2003**

	General Fund	Housing Bond Fund
REVENUES		
Ad valorem taxes	\$ 107,415,558	\$ -
Intergovernmental	19,647,799	-
Developer participation	-	-
Assessments	-	-
Local sales tax	42,938,291	-
Licenses	9,347,546	-
Interest on investments	2,630,704	66,003
Inspection fees	8,273,532	-
Highway maintenance refunds	626,563	-
Facility fees	-	-
Other fees and charges	21,865,686	-
Rents	-	-
Program income	-	1,003,091
Other revenues	1,947,298	-
Miscellaneous other	-	4,499
Total revenues	<u>214,692,977</u>	<u>1,073,593</u>
EXPENDITURES		
Current:		
General government	30,343,250	-
Community development services	30,784,327	-
Public safety	89,701,231	-
Solid waste services	18,476,272	-
Leisure services	34,919,585	-
Economic development programs	-	3,592,462
Other expenditures	13,735	-
Capital outlay	-	-
Debt service:		
Principal	10,516,915	-
Interest	5,644,955	-
Other debt service expenditures	265,381	-
Total expenditures before charge-out	<u>220,665,651</u>	<u>3,592,462</u>
Less: administrative costs charged to water and sewer fund	<u>(8,902,354)</u>	<u>-</u>
Total expenditures	<u>211,763,297</u>	<u>3,592,462</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,929,680</u>	<u>(2,518,869)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	10,328,347	-
Transfers out	(17,585,746)	(400,000)
Capital related debt issues	13,735	-
Bond proceeds	-	-
Refunding bonds issued	15,380,381	-
Payment to refunded bond escrow agent	<u>(15,380,381)</u>	<u>-</u>
Total other financing sources (uses)	<u>(7,243,664)</u>	<u>(400,000)</u>
Net change in fund balances	(4,313,984)	(2,918,869)
Fund balance - beginning	93,291,439	6,060,288
Fund balance - ending	<u>\$ 88,977,455</u>	<u>\$ 3,141,419</u>

The notes to the financial statements are an integral part of this statement.

Community Development Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 107,415,558
2,377,481	24,152,188	46,177,468
-	304,876	304,876
-	493,660	493,660
-	-	42,938,291
-	-	9,347,546
-	1,719,977	4,416,684
-	-	8,273,532
-	-	626,563
-	3,586,261	3,586,261
-	-	21,865,686
-	237,686	237,686
1,242,730	151,179	2,397,000
-	-	1,947,298
-	4,634,195	4,638,694
<u>3,620,211</u>	<u>35,280,022</u>	<u>254,666,803</u>
-	203,669	30,546,919
3,620,173	6,386,764	40,791,264
-	1,796,600	91,497,831
-	1,375,670	19,851,942
-	6,763,452	41,683,037
-	-	3,592,462
-	58,507	72,242
-	37,948,272	37,948,272
-	371,570	10,888,485
-	35,004	5,679,959
-	-	265,381
<u>3,620,173</u>	<u>54,939,508</u>	<u>282,817,794</u>
<u>-</u>	<u>-</u>	<u>(8,902,354)</u>
<u>3,620,173</u>	<u>54,939,508</u>	<u>273,915,440</u>
<u>38</u>	<u>(19,659,486)</u>	<u>(19,248,637)</u>
-	5,774,161	16,102,508
(38)	(14,981,372)	(32,967,156)
-	-	13,735
-	45,904,840	45,904,840
-	-	15,380,381
-	-	(15,380,381)
<u>(38)</u>	<u>36,697,629</u>	<u>29,053,927</u>
-	17,038,143	9,805,290
-	83,181,207	182,532,934
<u>\$ -</u>	<u>\$ 100,219,350</u>	<u>\$ 192,338,224</u>

City of Raleigh

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2003**

The change in *net assets* reported for governmental activities in the statement of activities are different because:

Net change in <i>fund balances</i> - total governmental funds	\$	9,805,290
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$37,212,634) exceeded depreciation (\$27,512,241) in the current period.		9,700,393
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Net change in net pension asset.		263,521
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (Annexations - \$14,215,864; Property taxes - \$124,439; Assessments - \$66,198).		14,406,501
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Governmental funds report cash repayments of loan principal as revenues because they provide current financial resources. However, the statement of activities does not report these repayments as revenues because they are a reduction of loans receivable.		(3,138,134)
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the the amount by which repayments (\$10,888,485) exceeded proceeds (\$46,250,000).		(35,361,515)
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Some expenditures reported in the governmental funds are not reported as expenses in the statement of activities. Expenditures made for loans are not expenses (\$5,679,890). They reduce cash and increase loans receivable. Expenditures made for landfill closure and postclosure costs (\$101,904) are not expenses. They reduce the landfill closure and postclosure liability.		5,781,794
--	--	-----------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (Earned vacation pay - \$854,098 and change in landfill closure and postclosure liability- \$34,967).		(889,065)
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, etc.) is to increase net assets.		128,924
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Governmental funds do not report noncash transfers of long-term liabilities. A new business-type activity, stormwater, started operations during the year. The earned vacation pay for stormwater was previously reported in the governmental activities column of the statement of net assets.		78,207
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Internal service funds are used by management to charge the costs of certain activities, such as print services, risk management, equipment replacement, and central garage to individual funds. The revenue of certain internal service funds is reported with governmental activities.		397,796
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Change in net assets of governmental activities	\$	<u>1,173,712</u>
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The notes to the financial statements are an integral part of this statement.

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City of Raleigh

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND For the Fiscal Year Ended June 30, 2003

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts (Budgetary Basis)	
REVENUES				
Ad valorem taxes	\$ 106,294,877	\$ 106,338,517	\$ 107,415,558	\$ 1,077,041
Intergovernmental	22,859,849	17,364,418	19,647,799	2,283,381
Local sales tax	40,925,000	46,515,000	42,938,291	(3,576,709)
Licenses	8,705,000	8,705,000	9,347,546	642,546
Interest on investments	3,278,783	3,278,783	2,630,704	(648,079)
Inspection fees	8,006,448	8,006,448	8,273,532	267,084
Highway maintenance refunds	710,000	710,000	626,563	(83,437)
Solid waste fees	6,126,424	6,126,424	6,222,918	96,494
Parks and recreation fees	5,845,079	6,456,481	5,594,164	(862,317)
Convention center fees	6,335,000	6,335,000	5,446,377	(888,623)
Other fees and charges	4,805,172	4,824,880	4,602,227	(222,653)
Other revenues	1,413,400	1,475,324	1,947,298	471,974
Total revenues	215,305,032	216,136,275	214,692,977	(1,443,298)
EXPENDITURES				
General government:				
Office of city council	137,660	143,850	133,705	10,145
Office of city clerk	533,327	538,327	425,437	112,890
Office of city attorney	1,106,456	1,156,456	1,096,910	59,546
Special appropriations	8,944,616	8,928,796	7,651,713	1,277,083
Agency appropriations	2,337,614	2,404,331	2,129,696	274,635
Office of city manager	1,331,310	1,375,908	1,214,167	161,741
Public affairs office	469,762	478,022	435,079	42,943
Arts office	151,645	152,407	130,871	21,536
Personnel department	2,268,810	2,242,823	1,811,105	431,718
Administrative service department	1,545,873	1,482,793	1,349,534	133,259
Finance department	7,373,202	7,485,854	6,916,791	569,063
Information services department	7,812,620	8,034,069	7,048,242	985,827
Total general government	34,012,895	34,423,636	30,343,250	4,080,386
Community development services:				
Central engineering department	4,430,271	4,501,761	4,126,341	375,420
Planning department	2,797,987	2,926,455	2,735,518	190,937
Transportation department	15,192,896	15,220,298	13,591,363	1,628,935
Inspections department	8,983,099	9,087,497	8,380,381	707,116
Community services department	1,622,162	1,644,902	1,500,152	144,750
Economic development	716,250	697,421	450,572	246,849
Total community development services	33,742,665	34,078,334	30,784,327	3,294,007

Continued

The notes to the financial statements are an integral part of this statement.

City of Raleigh

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2003**

	Budgeted Amounts			
	Original	Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
Public safety:				
Emergency communications center	\$ 4,279,210	\$ 4,276,515	\$ 4,123,261	\$ 153,254
Police department	57,898,751	58,258,031	54,280,882	3,977,149
Fire department	32,443,088	32,479,704	31,297,088	1,182,616
Total public safety	<u>94,621,049</u>	<u>95,014,250</u>	<u>89,701,231</u>	<u>5,313,019</u>
Solid waste services	<u>21,016,988</u>	<u>21,013,684</u>	<u>18,476,272</u>	<u>2,537,412</u>
Leisure services:				
Convention center	8,085,706	8,091,135	7,460,675	630,460
Parks and recreation department	21,594,632	21,687,215	20,300,399	1,386,816
Revenue and special facilities	4,004,660	4,006,191	3,573,223	432,968
Continuing recreation activities	<u>4,697,410</u>	<u>5,458,302</u>	<u>3,585,288</u>	<u>1,873,014</u>
Total leisure services	<u>38,382,408</u>	<u>39,242,843</u>	<u>34,919,585</u>	<u>4,323,258</u>
Other expenditures:				
Capital outlay - installment note obligations	-	13,735	13,735	-
Total other expenditures	<u>-</u>	<u>13,735</u>	<u>13,735</u>	<u>-</u>
Debt service:				
Principal and interest	17,424,946	17,324,946	16,161,870	1,163,076
Other debt service expenditures	290,000	390,000	265,381	124,619
Total debt service	<u>17,714,946</u>	<u>17,714,946</u>	<u>16,427,251</u>	<u>1,287,695</u>
Total expenditures before charge-out	239,490,951	241,501,428	220,665,651	20,835,777
Less: administrative costs charged to water and sewer fund	<u>9,043,900</u>	<u>9,043,900</u>	<u>8,902,354</u>	<u>(141,546)</u>
Total expenditures	<u>230,447,051</u>	<u>232,457,528</u>	<u>211,763,297</u>	<u>20,694,231</u>
Excess (deficiency) of revenues over expenditures	(15,142,019)	(16,321,253)	2,929,680	19,250,933
OTHER FINANCING SOURCES (USES)				
Transfers in	8,531,779	8,630,917	10,328,347	1,697,430
Transfers out	(16,670,449)	(17,173,681)	(17,585,746)	(412,065)
Capital related debt issues	-	13,735	13,735	-
Refunding bonds issued	-	15,380,381	15,380,381	-
Payment to refunded bond escrow agent	-	(15,380,381)	(15,380,381)	-
Total other financing sources (uses)	<u>(8,138,670)</u>	<u>(8,529,029)</u>	<u>(7,243,664)</u>	<u>1,285,365</u>
Net changes in fund balances	<u>\$ (23,280,689)</u>	<u>\$ (24,850,282)</u>	<u>(4,313,984)</u>	<u>\$ 20,536,298</u>
Fund balances - beginning of year			93,291,439	
Fund balances - end of year			<u>\$ 88,977,455</u>	

City of Raleigh

**Statement of Net Assets
Proprietary Funds
June 30, 2003**

	Enterprise Funds				
	Water and Sewer Fund	Parking Facilities Fund	Other Nonmajor Enterprise	Total	Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 56,279,937	\$ 9,274,357	\$ 8,075,493	\$ 73,629,787	\$ 18,993,818
Customer receivables, net of allowance for uncollectibles of \$2,250,598	9,176,250	-	-	9,176,250	4,521
Assessments receivable, net of allowance for uncollectibles of \$43,778	831,778	-	-	831,778	-
Due from other governmental agencies	39,405	-	5,921,853	5,961,258	-
Accrued interest receivable	75,763	9,571	5,685	91,019	14,954
Other receivables and assets	52,380	176,615	5,000	233,995	-
Sales tax receivable	718,006	7,482	32,439	757,927	242,346
Due from other funds	-	4,675,000	5,000	4,680,000	26,313
Inventories	3,367,407	-	238,719	3,606,126	554,119
Insurance deposit	-	-	-	-	133,500
Deferred charges	480,062	140,748	-	620,810	38,084
Total current assets	71,020,988	14,283,773	14,284,189	99,588,950	20,007,655
Noncurrent assets:					
Restricted cash and cash equivalents	21,821,705	372,258	307,457	22,501,420	15,281,733
Capital assets:					
Land and improvements	16,946,553	8,050,998	988,989	25,986,540	-
Construction in progress	3,554,640	-	33,696	3,588,336	-
Water and sewer systems	553,451,842	-	-	553,451,842	-
Buildings and machinery	56,781,801	-	3,798,718	60,580,519	230,912
Parking decks	-	43,605,680	-	43,605,680	-
Buses	-	-	18,313,510	18,313,510	-
Equipment	12,570,182	156,053	702,846	13,429,081	35,293,606
Furniture and fixtures	14,410	-	18,800	33,210	-
Improvements	4,249,752	111,412	900,908	5,262,072	-
Less accumulated depreciation	(150,951,801)	(8,670,282)	(11,748,183)	(171,370,266)	(18,833,439)
Total noncurrent assets	518,439,084	43,626,119	13,316,741	575,381,944	31,972,812
Total assets	589,460,072	57,909,892	27,600,930	674,970,894	51,980,467

The notes to the financial statements are an integral part of this statement.

City of Raleigh

**Statement of Net Assets
Proprietary Funds
June 30, 2003**

	Enterprise Funds				
	Water and Sewer Fund	Parking Facilities Fund	Other Nonmajor Enterprise	Total	Internal Service Fund
LIABILITIES					
Current liabilities:					
Accounts payable	4,404,704	15,010	5,632,914	10,052,628	1,001,212
Arbitrage rebate payable	55,895	23,207	-	79,102	303,781
Accrued salaries and employee payroll taxes	6,625	1,156	6,200	13,981	10,359
Accrued interest payable	1,519,615	135,472	-	1,655,087	49,089
Claims payable and other liabilities	-	-	-	-	11,448,983
Deferred contributions from other funds	-	-	1,320,374	1,320,374	-
Due to other funds	-	-	1,462	1,462	-
Escrow and other deposits payable from restricted assets	17,750,523	-	326,957	18,077,480	-
Bonds, notes and loans payable	3,365,000	785,000	-	4,150,000	7,915,001
Unamortized premium (discount)	(27,186)	-	-	(27,186)	266,571
Deferred refunding - bonds payable	(84,091)	(16,818)	-	(100,909)	-
Contracts payable	1,698,360	1,014,004	-	2,712,364	-
Deferred refunding - contracts payable	-	(42,158)	-	(42,158)	-
Total current liabilities	<u>28,689,445</u>	<u>1,914,873</u>	<u>7,287,907</u>	<u>37,892,225</u>	<u>20,994,996</u>
Noncurrent liabilities:					
Bonds, notes and loans payable	97,195,000	8,090,000	-	105,285,000	18,484,999
Unamortized premium (discount)	(299,050)	-	-	(299,050)	649,829
Deferred refunding - bonds payable	(336,363)	(67,274)	-	(403,637)	-
Contracts and other notes payable	15,867,228	13,519,829	-	29,387,057	-
Deferred refunding - contracts payable	-	(294,719)	-	(294,719)	-
Earned vacation pay	1,045,987	7,865	128,758	1,182,610	219,227
Total noncurrent liabilities	<u>113,472,802</u>	<u>21,255,701</u>	<u>128,758</u>	<u>134,857,261</u>	<u>19,354,055</u>
Total liabilities	<u>142,162,247</u>	<u>23,170,574</u>	<u>7,416,665</u>	<u>172,749,486</u>	<u>40,349,051</u>
NET ASSETS					
Invested in capital assets, net of related debt	383,309,664	20,638,255	12,975,588	416,923,507	3,601,350
Unrestricted	63,988,161	14,101,063	7,208,677	85,297,901	8,030,066
Total net assets	<u>\$ 447,297,825</u>	<u>\$ 34,739,318</u>	<u>\$ 20,184,265</u>	<u>502,221,408</u>	<u>\$ 11,631,416</u>

Some accounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.

3,421,570

Net assets of business-type activities

\$ 505,642,978

City of Raleigh

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2003**

	Enterprise Funds				
	Water and Sewer Fund	Parking Facilities Fund	Other Nonmajor Enterprise	Total	Internal Service Fund
Operating revenues					
User charges	\$ 56,188,686	\$ 2,326,574	\$ 1,767,970	\$ 60,283,230	\$ -
Charges for services - internal	-	-	-	-	38,991,918
Other	1,897,200	6,956	281,901	2,186,057	131,608
Total operating revenues	<u>58,085,886</u>	<u>2,333,530</u>	<u>2,049,871</u>	<u>62,469,287</u>	<u>39,123,526</u>
Operating expenses					
Administration	2,858,384	169,647	1,930,594	4,958,625	4,715,165
Materials, services and supplies	-	703,628	1,181,929	1,885,557	5,643,187
Water supply and treatment	11,560,284	-	-	11,560,284	-
Sewer system and treatment	11,865,369	-	-	11,865,369	-
Warehousing, maintenance and construction	12,327,809	-	-	12,327,809	-
Other services	3,960,569	-	3,667,255	7,627,824	-
Non-departmental charges	4,263,988	-	-	4,263,988	-
Management contract charges	-	-	7,918,942	7,918,942	-
Claims	-	-	-	-	20,505,041
Premiums	-	-	-	-	848,422
Depreciation	13,204,429	990,445	1,619,880	15,814,754	6,022,756
Other	-	-	-	-	16,840
Total operating expenses	<u>60,040,832</u>	<u>1,863,720</u>	<u>16,318,600</u>	<u>78,223,152</u>	<u>37,751,411</u>
Operating income (loss)	<u>(1,954,946)</u>	<u>469,810</u>	<u>(14,268,729)</u>	<u>(15,753,865)</u>	<u>1,372,115</u>
Nonoperating revenue (expense)					
Interest on investments	1,758,106	242,541	92,645	2,093,292	450,260
Subsidy income - federal and state	-	-	3,448,532	3,448,532	-
Other revenues	464,771	-	-	464,771	-
Interest expense	(5,322,443)	(912,142)	-	(6,234,585)	(585,582)
Miscellaneous expense	(73,232)	-	-	(73,232)	(131,312)
Total nonoperating revenue (expense)	<u>(3,172,798)</u>	<u>(669,601)</u>	<u>3,541,177</u>	<u>(301,222)</u>	<u>(266,634)</u>
Income (loss) before contributions and transfers	(5,127,744)	(199,791)	(10,727,552)	(16,055,087)	1,105,481
Capital contributions	11,195,830	-	5,041,663	16,237,493	-
Transfers in	-	2,000,000	14,098,465	16,098,465	857,953
Transfers out	(176,695)	-	-	(176,695)	-
Change in net assets	5,891,391	1,800,209	8,412,576	16,104,176	1,963,434
Total net assets - beginning of year	<u>441,406,434</u>	<u>32,939,109</u>	<u>11,771,689</u>		<u>9,667,982</u>
Total net assets - end of year	<u>\$ 447,297,825</u>	<u>\$ 34,739,318</u>	<u>\$ 20,184,265</u>		<u>\$ 11,631,416</u>

Some amounts reported for *business-type activities* in the statement of activities are different because the net revenue of certain internal service funds is reported with business-type activities.

777,315

Change in net assets of business-type activities

\$ 16,881,491

The notes to the financial statements are an integral part of this statement.

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City of Raleigh

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Fiscal Year Ended June 30, 2003

	Enterprise Funds	
	Water and Sewer Fund	Parking Facilities Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 57,773,120	\$ 2,340,684
Net sales tax received (paid)	(91,893)	367,776
Payments to employees	(15,744,612)	(169,050)
Payments to suppliers and service providers	(31,483,794)	(689,480)
Internal activity - payments to other funds	-	(1,610,833)
Claims paid	-	(60,000)
Premiums paid	-	-
Other receipts (payments)	17,382	-
Net cash provided by (used in) operating activities	<u>10,470,203</u>	<u>179,097</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Insurance deposits	-	-
Operating subsidies and transfers from other funds	-	2,000,000
Operating subsidies and transfers to other funds	(176,695)	-
Operating grants received	-	-
Other noncapital financing receipts (payments)	419,765	-
Net cash provided (used) by noncapital financing activities	<u>243,070</u>	<u>2,000,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase and construction of capital assets	(19,465,237)	(62,290)
Capital grants and other capital contributions	3,417,039	-
Insurance proceeds	-	-
Proceeds from capital debt	94,060	-
Principal paid on capital debt	(7,171,613)	(1,803,248)
Interest paid on capital debt	(5,280,798)	(848,695)
Escrow deposits	(284,498)	-
Net cash provided (used) by capital and related financing activities	<u>(28,691,047)</u>	<u>(2,714,233)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	1,998,259	73,620
Net cash provided (used) by investing activities	<u>1,998,259</u>	<u>73,620</u>
Net increase (decrease) in cash and cash equivalents	(15,979,515)	(461,516)
Cash and cash equivalents - beginning of year	94,081,157	10,108,131
Cash and cash equivalents - end of year	<u>\$ 78,101,642</u>	<u>\$ 9,646,615</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (1,954,946)	\$ 469,810
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	13,204,429	990,445
Bad debt expense	296,398	-
Change in assets and liabilities:		
Operating receivables	(312,766)	7,154
Sales tax receivable	(91,893)	367,776
Inventories	(96,305)	-
Other receivables and assets	17,382	(1,610,833)
Accounts payable - operating accounts	(656,613)	(44,696)
Due to other funds	-	-
Escrow and other deposits	-	-
Earned vacation pay	64,517	(559)
Total adjustments	<u>12,425,149</u>	<u>(290,713)</u>
Net cash provided by (used in) operating activities	<u>\$ 10,470,203</u>	<u>\$ 179,097</u>
Noncash investing, capital, and financing activities:		
Capital contributions from annexations	\$ 8,089,658	\$ -
Acquisition and construction of capital assets	\$ -	\$ -
Net transfer of assets and liabilities from other funds	\$ -	\$ -

The notes to the financial statements are an integral part of this statement.

Enterprise Funds		
Other Nonmajor Enterprise	Total	Internal Service Funds
\$ 2,049,871	\$ 62,163,675	\$ 39,030,957
(10,055)	265,828	(165,123)
(1,814,676)	(17,728,338)	(4,553,673)
(13,339,728)	(45,513,002)	(5,673,266)
(5,000)	(1,615,833)	(114,742)
-	(60,000)	(17,499,357)
-	-	(848,422)
-	17,382	103,222
<u>(13,119,588)</u>	<u>(2,470,288)</u>	<u>10,279,596</u>
-	-	(8,500)
13,993,534	15,993,534	143,957
-	(176,695)	-
2,920,376	2,920,376	-
-	419,765	(131,312)
<u>16,913,910</u>	<u>19,156,980</u>	<u>4,145</u>
(210,463)	(19,737,990)	(3,418,512)
149,840	3,566,879	-
145,000	145,000	-
-	94,060	14,698,142
-	(8,974,861)	(6,035,001)
-	(6,129,493)	(883,895)
307,457	22,959	-
<u>391,834</u>	<u>(31,013,446)</u>	<u>4,360,734</u>
86,960	2,158,839	496,345
86,960	2,158,839	496,345
4,273,116	(12,167,915)	15,140,820
4,109,834	108,299,122	19,134,731
<u>\$ 8,382,950</u>	<u>\$ 96,131,207</u>	<u>\$ 34,275,551</u>
\$ (14,268,729)	\$ (15,753,865)	\$ 1,372,115
1,619,880	15,814,754	6,022,756
-	296,398	-
-	(305,612)	(163,985)
(10,055)	265,828	(945)
12,327	(83,978)	(45,157)
(5,000)	(1,598,451)	-
(488,259)	(1,189,568)	3,217,769
-	-	(114,742)
5,000	5,000	-
15,248	79,206	(8,215)
1,149,141	13,283,577	8,907,481
<u>\$ (13,119,588)</u>	<u>\$ (2,470,288)</u>	<u>\$ 10,279,596</u>
\$ -	\$ 8,089,658	\$ -
\$ 5,150,726	\$ 5,150,726	\$ 619,838
<u>\$ 329,253</u>	<u>\$ 329,253</u>	<u>\$ 713,996</u>

City of Raleigh

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

June 30, 2003

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 16,813,906	\$ 9,043
Accrued interest receivable	5,048	-
Due from other governmental agencies	-	177
Total assets	<u>16,818,954</u>	<u>\$ 9,220</u>
LIABILITIES		
Due to other agencies	\$ -	\$ 2,575
Accounts payable	-	6,645
Total liabilities	<u>-</u>	<u>\$ 9,220</u>
NET ASSETS		
Held in trust for:		
Employees' retirement benefits	<u>\$ 16,818,954</u>	

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2003**

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer contributions	\$ 3,427,430
Total contributions	<u>3,427,430</u>
Investment earnings:	
Investment earnings (losses)	406,626
Investment expense	<u>(16,875)</u>
Net investment earnings	<u>389,751</u>
Total additions	<u>3,817,181</u>
DEDUCTIONS	
Benefits	<u>2,067,551</u>
Total deductions	<u>2,067,551</u>
Change in net assets	1,749,630
Net assets - beginning of the year	<u>15,069,324</u>
Net assets - end of the year	<u><u>\$ 16,818,954</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF RALEIGH
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting entity

The City of Raleigh is a municipal corporation established in 1792 by the North Carolina General Assembly. The City operates under a council-manager form of government with a mayor and seven Council Members comprising the governing body.

The accounting policies of the City of Raleigh conform to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America. All applicable GASB Statements have been implemented. The accompanying financial statements present the government and its component unit, a legally separate entity for which the City is financially accountable.

The financial statements of the following organization are included in this report as a blended component unit:

Blended Component Unit. *Walnut Creek Financing Assistance Corporation (WCFAC)*. The WCFAC is governed by a five-member board appointed by the City Council. Although it is legally separate from the City, the WCFAC is reported as if it were part of the primary government because its main purpose is to issue certificates of participation for the City. Financial transactions of the WCFAC are audited and reported through the City's annual audit. No separate financial statements are prepared.

B. Government-wide and fund financial statements

Government-wide statements: The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its blended component unit. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or activity. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements: The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to earned vacation pay and claims and judgments, are recorded only when payment is due.

Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General fund – The general fund is the primary operating fund of the City. It is used to account for all financial resources of the general government, except those required to be accounted for in other funds.

Housing bond fund – The housing bond fund accounts for City housing development programs that are financed by general obligation bond issues.

Community development fund – The community development fund accounts for United States Department of Housing and Urban Development (HUD) grant proceeds allocated to the City for community development programs.

The government reports the following major enterprise funds:

Water and sewer fund – The water and sewer fund accounts for the user charges, fees, other resources and all costs associated with the operation of the water and sewer systems of the City.

Parking facilities fund – The parking facilities fund accounts for the parking fee charges and all costs associated with the operation of all parking decks and lots owned by the City.

Additionally, the government reports the following fund types:

Internal service funds account for print services, employee health benefits, equipment replacement, risk management services, and central garage services provided to other departments or agencies of the government on a cost reimbursement basis.

Fiduciary funds - The pension trust funds account for the City's contributions to a supplemental money purchase pension plan fund and the law enforcement officers' special separation allowance fund. The agency funds account for monies held on behalf of the County and others.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type

activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other City functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, *general revenues* include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. State statutes authorize the City to invest in securities of the U. S. Government, U. S. Government Agencies, high quality commercial paper, banker's acceptances, repurchase agreements, obligations of the State of North Carolina and the North Carolina Capital Management Trust. As required for periods beginning after June 15, 1997 by Statement 31 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, certain investments are carried at fair value as determined by quoted market prices. Investments carried at fair value include debt securities with a maturity date of more than one year at acquisition and mutual funds. Other investments, which include money market investments and nonparticipating interest-earning investment contracts are reported at cost or amortized cost.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

City ad valorem taxes are billed by the Wake County Revenue Collector after July 1 of each year based upon the assessed value on property, other than motor vehicles, listed as of the prior January 1 lien date. Property taxes on certain registered motor vehicles are assessed and collected throughout the year based upon changes in the state law effective January 1, 1994. As of that date, Wake County became responsible for the monthly billing and collections, on behalf of the City, of property taxes due on registered motor vehicles. Under a staggered system of registration, property taxes become due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due.

Uncollected taxes billed by February of the fiscal year are shown as a receivable in the financial statements and are offset by deferred revenue. Taxes for vehicles registered after February 28, apply to the 2003-04 fiscal year and are not shown as receivables at June 30, 2003.

The City Council is required to approve the tax levy no later than August 1, although this traditionally occurs in the month of June. Taxes are due on September 1 but do not begin to accrue penalties for nonpayment until the following January 5. Collections of City taxes are made by the County and are remitted to the City as collected.

Ad valorem taxes receivable at year-end are not considered to be available as a resource that can be used to finance the current year operations of the City and, therefore, are not susceptible to recognition as earned revenue. The amount of the recorded receivable for ad valorem taxes has been reduced by an allowance for uncollectible accounts and the net receivable is offset by deferred revenue in an equal amount.

Other accounts receivable which are reported in governmental funds and which represent amounts considered measurable and available are recorded as revenue but, based on state law, are restricted in fund balance at year-end.

Any other accounts receivable which represent amounts not subject to accrual as earned revenue are recorded as assets and are offset by deferred revenue in an equal amount. Assessments receivable have been reduced by an amount deemed to be uncollectible.

The amounts due from other governmental agencies are grants and participation agreements which are reserved for specific programs and capital projects. Program grants, primarily accounted for in the special revenue funds, are recognized as receivables and revenue in the period benefited, i.e., at the time reimbursable program costs are incurred.

Capital project grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

3. Inventories and prepaid items

Inventories in the governmental, enterprise and internal service funds consist primarily of expendable supplies held for consumption. Inventories are recorded as an expenditure at the time an item is used and are carried at cost, using the first-in, first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds and general obligation bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, (e.g. streets, sidewalks, water and sewer delivery systems and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City during the fiscal year was \$6,661,091. Of this amount, \$426,506 was included as part of the cost of capital assets under construction in connection with water and sewer and parking facilities construction projects.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and machinery	40
Water and sewer systems	50
Streets and sidewalks	25
Major improvements	20
Buses	10
Furniture & fixtures	5
Equipment	5 - 10

6. *Earned vacation pay*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example as a result of employee resignations and retirements.

7. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt expenditures.

8. *Net Assets/fund equity*

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Also presented are the amounts in annually budgeted funds which are reserved and, therefore, not available for appropriation in subsequent years as provided by the North Carolina general statutes. The statutes dictate what portion of fund balance is available for appropriation with the remainder being unavailable for appropriation or "Reserved by State Statute." Generally, all amounts represented by accounts receivable or interfund receivables are not available for appropriation. Portions of fund balance have also been reserved for

encumbrances and inventories. The unreserved portion of fund balance is further detailed as either "Designated for specific purposes" or "Undesignated." A breakdown of the "Designated for specific purposes," at June 30, 2003 is as follows:

General Fund		General Capital Projects Funds	
<u>Designations</u>	<u>Amount</u>	<u>Designations</u>	<u>Amount</u>
Debt service	\$ 13,322,401	Various capital projects	
Carry-over operations	531,410	consistent with individual	
Law enforcement projects	1,219,943	fund purpose	<u>\$ 4,081,151</u>
Budget reserves	3,200,000		
Appropriated for subsequent year	17,613,915		
Other	<u>1,208,078</u>		
		<u>Special Revenue Funds</u>	
	<u>\$ 37,095,747</u>	Disaster recovery projects	<u>\$ 4,191,739</u>

9. *Interest rate swap*

The City enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements.

Note 2. Stewardship, compliance, and accountability

A. Budgetary information

As required by the North Carolina Budget and Fiscal Control Act, the City adopts balanced budget ordinances for all funds except the trust and agency funds which are not budgeted and four internal service funds which have financial plans approved. The budgets shown in the financial statements reflect amounts adopted by the budget ordinances as amended and approved at the close of the day of June 30, 2003. The City adopts annual budgets prepared on the modified accrual basis for all funds except capital project and grant funds which have project budgets adopted. Appropriations for funds with annual budgets lapse at the end of the budget year. Capital and grant project budget appropriations do not lapse until the completion of the project or grant. The City Council may amend the budget throughout the year for new projects or other changes to existing appropriations as are needed. At June 30, 2003, the effect of such amendments, less eliminating transfers, was as follows:

	<u>Budget</u>	<u>Amendments</u>	<u>June 30, 2003</u>
General Fund	\$ 256,161,400	\$ 17,894,090	\$ 274,055,490
Special Revenue Funds	64,571,131	15,285,198	79,856,329
General Capital Projects Funds	263,071,834	4,931,528	268,003,362
Enterprise Funds	209,781,866	16,495,810	226,277,676
Internal Service Funds	9,175,258	70,923	9,246,181

The appropriated budget is prepared by fund, function, and department. All budget transfers, both at the ordinance and the line-item levels are approved by the City Council with the following exceptions that can be made prior to formal approval by the City Council. Department heads may make transfers within a department (except for personnel services accounts) not to exceed \$10,000. Department heads or the City Manager may make transfers of appropriations within a fund up to \$50,000. Transfers greater than \$50,000 and transfers of appropriations between funds require City Council approval. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. Deficit fund balance and net assets

At June 30, 2003, deficit fund balance is reported in the convention center and memorial auditorium projects fund (a governmental fund) of \$1,304,703. The risk management fund (an internal service fund) had deficit net assets of \$902,154 at June 30, 2003. The deficit fund balance in the convention center and memorial auditorium projects fund is caused by long-term pledges not recognized as revenue until received. Cash is provided through an inter-fund loan from the parking facilities fund. The City anticipates continued collection of the long-term pledges and ultimately, the complete elimination of the deficit. The deficit net assets in the risk management fund results primarily from adverse experience on prior years open claims during 2002-03 which, in turn, resulted in higher than expected future liability for these claims. This condition will require increased future funding from the City.

Note 3. Detailed notes on all funds

A. Deposits and investments

Deposits. The deposits of the City are governed by North Carolina General Statute 159-31. The City may establish official depositories with any bank or savings and loan whose principal office is located in North Carolina. The City may also establish time deposits in the form of NOW, Super NOW, money market accounts, and certificates of deposit. At June 30, 2003, the City's bank balance was \$1,459,391 and the carrying amount of the City's deposits was \$397,749, net of a cash overdraft of \$2,499,635 which is included in accounts payable.

All of the City's deposits are either insured or collateralized by using one of two options. Under the Dedicated Method, all deposits over the federal depository insurance coverage are collateralized with securities held by the City's agent in the City's name. Under the Pooling Method, a collateral pool, all insured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the City's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each Pooling Method depository.

The City uses one principal central depository for regular banking services. This depository utilizes the Pooling Method to collateralize the City's excess deposits. Of the deposits maintained under the Pooling Method at June 30, 2003, \$207,930 was covered by federal depository insurance and \$1,251,461 was covered by pooled collateral held by an agent of the State Treasurer.

Investments. State statutes authorize the City to invest in obligations of the U. S. Treasury, obligations of any agency of the United States of America (provided the payment of interest and principal of such obligations is fully guaranteed by the United States), certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust, a Securities and Exchange Commission registered mutual fund. As required for periods beginning after June 15, 1997 by Statement No. 31 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Certain Investments and External Investment Pools* certain investments are carried at fair value as determined by quoted market prices. Investments carried at fair value include debt securities with a maturity date of more than one year at acquisition and mutual funds. Other investments, which include money market investments, are reported at cost or amortized cost. The change in the fair value of

investments during 2003 was \$1,038,315 and is reported as investment income. The City's investments are categorized at year-end to give an indication of the level of custodial risk assumed. Column 1 represents investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Column 2 represents uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Column 3 represents uninsured and unregistered investments for which the securities are held by the counterparty or its trust department or agent but not in the City's name. Investments in mutual funds are exempt from risk categorization. At June 30, 2003, the City's investments are categorized as follows:

	Category			Reported Value	Fair Value
	<u>1</u>	<u>2</u>	<u>3</u>		
U. S. Government Securities	\$ 40,168,812	\$ -	\$ -	\$ 40,168,812	\$ 40,164,063
U. S. Government Agencies	206,478,209	-	-	206,478,209	205,159,921
Commercial Paper	<u>7,348,647</u>	<u>-</u>	<u>-</u>	<u>7,348,647</u>	<u>7,308,148</u>
	<u>\$ 253,995,668</u>	<u>\$ -</u>	<u>\$ -</u>	253,995,668	252,632,132
Investments in Mutual Funds				86,344,690	86,344,690
				<u>\$ 340,340,358</u>	<u>\$ 338,976,822</u>

Investment income is allocated to the various funds based on their equity in a pooled account. Each fund's equity of pooled cash and investments is presented in the accompanying financial statements.

A summary of investments in mutual funds at June 30, 2003 is as follows:

WACHOVIA – Medical and Dental Trust Funds	\$ 4,049,169
ABN-AMRO – Supplemental Pension Funds	11,811,517
NCCMT – Restricted Debt Proceeds	54,831,096
NCCMT – Unrestricted, All Funds	<u>15,652,908</u>
	<u>\$ 86,344,690</u>

A summary of cash and investments at June 30, 2003 is as follows:

Petty Cash and Change Funds	\$ 14,320
Deposits	397,749
Investments	<u>340,340,358</u>
	<u>\$ 340,752,427</u>

B. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>General</u>	<u>Major Governmental</u>	<u>NonMajor Governmental</u>
Amounts arising from cash:			
Police informant account	\$ 31,885	\$ -	\$ -
Cemetery cash account	7,930	-	-
Cafeteria plan cash	31,259	-	-
Parks & Recreation	57,264	-	-
Deferred vehicle taxes	364,921	-	-
Grants, program income	-	17,675	297,502
	<u>\$ 493,259</u>	<u>\$ 17,675</u>	<u>\$ 297,502</u>
Amounts not arising from cash:			
Assessments receivable	\$ 284,056	\$ -	\$ 617,030
Taxes receivable	1,707,291	-	-
Loans receivable	271,497	29,533,438	2,494,771
	<u>\$ 2,262,844</u>	<u>\$ 29,533,438</u>	<u>\$ 3,111,801</u>
Total	<u>\$ 2,756,103</u>	<u>\$ 29,551,113</u>	<u>\$ 3,409,303</u>

C. Capital assets

Capital asset activity for the year ended June 30, 2003 was as follows (stated in thousands)

	Balance June 30, 2002	Additions	Transfers	Deletions	Balance June 30, 2003
<u>Governmental activities</u>					
Capital assets, not being depreciated:					
Land	\$ 96,899	\$ 6,253	\$ (142)	\$ 30	\$ 102,980
Construction in progress	16,877	9,345	(16,058)	-	10,164
Total capital assets, not being depreciated	<u>113,776</u>	<u>15,598</u>	<u>(16,200)</u>	<u>30</u>	<u>113,144</u>
Capital assets, being depreciated:					
Buildings and machinery	110,218	4,400	398	67	114,949
Streets and sidewalks	408,624	23,278	8,595	-	440,497
Equipment	64,617	4,004	-	3,549	65,072
Furniture and fixtures	2,413	65	-	31	2,447
Improvements - general and parks	131,571	10,147	7,207	135	148,790
Total capital assets being depreciated	<u>717,443</u>	<u>41,894</u>	<u>16,200</u>	<u>3,782</u>	<u>771,755</u>
Less accumulated depreciation for:					
Buildings and machinery	36,947	2,838	-	67	39,718
Streets and sidewalks	158,023	16,506	-	-	174,529
Equipment	47,406	6,170	-	3,394	50,182
Furniture and fixtures	1,929	156	-	31	2,054
Improvements - general and parks	46,269	6,790	-	32	53,027
Total accumulated depreciation	<u>290,574</u>	<u>32,460</u>	<u>-</u>	<u>3,524</u>	<u>319,510</u>
Total capital assets being depreciated, net	<u>426,869</u>	<u>9,434</u>	<u>16,200</u>	<u>258</u>	<u>452,245</u>
Governmental activities capital assets, net	<u>\$ 540,645</u>	<u>\$ 25,032</u>	<u>\$ -</u>	<u>\$ 288</u>	<u>\$ 565,389</u>

	Balance June 30, 2002	Additions	Transfers	Deletions	Balance June 30, 2003
<u>Business-type activities</u>					
Capital assets, not being depreciated:					
Land	\$ 23,013	\$ 2,956	\$ 19	\$ -	\$ 25,988
Construction in progress	4,339	3,066	(3,817)	-	3,588
Total capital assets, not being depreciated	<u>27,352</u>	<u>6,022</u>	<u>(3,798)</u>	<u>-</u>	<u>29,576</u>
Capital assets, being depreciated:					
Buildings and machinery	60,400	181	-	-	60,581
Water and sewer systems	527,935	21,944	3,573	-	553,452
Parking decks	43,606	-	-	-	43,606
Buses	13,488	5,170	-	344	18,314
Equipment	18,732	1,539	-	158	20,113
Furniture and fixtures	40	-	-	7	33
Improvements	4,214	836	226	15	5,261
Total capital assets being depreciated	<u>668,415</u>	<u>29,670</u>	<u>3,799</u>	<u>524</u>	<u>701,360</u>
Less accumulated depreciation for:					
Buildings and machinery	19,563	1,288	-	-	20,851
Water and sewer systems	112,325	11,222	-	-	123,547
Parking decks	7,416	988	-	-	8,404
Buses	8,157	1,374	-	194	9,337
Equipment	9,739	1,789	-	158	11,370
Furniture and fixtures	33	2	-	7	28
Improvements	768	227	-	15	980
Total accumulated depreciation	<u>158,001</u>	<u>16,890</u>	<u>-</u>	<u>374</u>	<u>174,517</u>
Total capital assets being depreciated, net	<u>510,414</u>	<u>12,780</u>	<u>3,799</u>	<u>150</u>	<u>526,843</u>
Business-type activities capital assets, net	<u>\$ 537,766</u>	<u>\$ 18,802</u>	<u>\$ -</u>	<u>\$ 150</u>	<u>\$ 556,419</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

General government	\$ 147,176
Community development	18,688,716
Public safety	1,090,856
Solid waste services	198,375
Leisure services	7,387,118
Economic development programs	-
Capital assets held by certain internal service funds are charged to the various governmental functions based on the usage of the assets	<u>4,947,720</u>

Total depreciation expense - governmental activities \$ 32,459,961

In the course of implementing GASB Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* during 2001-02, the City discovered several capital assets totaling \$1,692,000 not recorded in its capital assets inventory record or its general ledger. Accordingly, beginning net assets for governmental activities as per the government wide statement of activities (page 2 and 3) has been restated.

Proceeds from sale of land and buildings

The City routinely disposes of excess and/or remnant real properties. To the extent that these items are immaterial, resulting proceeds are generally recorded as miscellaneous receipts. During 2002-03 there were no material transactions.

Commitments - construction projects

At June 30, 2003, the City has \$5,387,417 in water and sewer project obligations for construction projects in progress. These obligations are fully budgeted and are being financed primarily by federal and state loans, general obligation bond proceeds, and revenue bond proceeds.

In addition, the City has \$20,408,166 in general government project obligations at June 30, 2003. These obligations relate to construction in progress projects for street construction, redevelopment projects and community center and park construction. These projects are fully budgeted and the funding for these governmental projects is indicated through designations of fund balance at June 30, 2003.

D. Interfund receivables, payables, and transfers

The composition of interfund balances as June 30, 2003, is as follows:

		Due from			
		Nonmajor Governmental Funds		Nonmajor Enterprise Funds	Total
		General Fund	Funds	Funds	
Due to	General fund	\$ -	\$ 899,045	\$ 1,462	\$ 900,507
	Parking facilities fund	-	4,675,000	-	4,675,000
	Nonmajor enterprise	-	5,000	-	5,000
	Internal service funds	26,313	-	-	26,313
	Total	\$ 26,313	\$ 5,579,045	\$ 1,462	\$ 5,606,820

The balance of \$4,675,000 due to the parking facilities fund from nonmajor governmental funds is comprised of two intra-fund loans. \$1,475,000 results from loans made to provide cash for the convention center and memorial auditorium capital projects fund until pledges for construction of the BTI Center are received. Also, \$3,200,000 has been loaned to the disaster recovery fund to provide cash for the December 2002 winter storm clean-up and recovery, pending reimbursement from federal and state emergency assistance programs. Neither balance is scheduled to be repaid in full during 2003-04.

All remaining balances resulted from timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

A summary of interfund transfers for the fiscal year ended June 30, 2003 is as follows:

Transfers to general fund from:	
Housing bond fund	\$ 400,000
Water and sewer fund	112,500
Nonmajor governmental funds	9,815,847
Total transfers to general fund	<u>\$10,328,347</u>
Transfers to nonmajor governmental funds from:	
General fund	\$ 5,774,123
Community development fund	38
Total transfers to nonmajor governmental funds	<u>\$ 5,774,161</u>
Transfers to parking facilities fund from:	
General fund	<u>\$ 2,000,000</u>
Transfers to nonmajor enterprise funds from:	
General fund	\$ 9,235,899
Nonmajor governmental funds	4,940,773
Total transfers to nonmajor enterprise funds	<u>\$14,176,672</u>
Transfers to internal service funds from:	
General fund	\$ 575,723
Water and sewer fund	64,196
Total transfers to internal service funds	<u>\$ 639,919</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the general fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During the fiscal year ended June 30, 2003, \$2,402,130 was transferred from general capital projects funds to the general fund. These transfers were made to offset the budget shortfall that resulted, in part, from the elimination of certain state shared revenues and unrealized sales tax receipts.

Also, during 2002-03 several new funds were established by the City. In accordance with generally accepted accounting principles noncash transactions to establish certain beginning balances in these funds are reported as transfers in the financial statements, however, are not included in the summary of interfund transfers above. These transactions are as follows:

Stormwater utility fund, earned vacation pay liability	\$ (78,207)
Vehicle fleet services fund, capital assets (net)	\$ 437,026
Vehicle fleet services fund, earned vacation pay liability	\$ (218,992)

E. Operating leases

During 2002-03 total rental payments on noncancelable operating leases was \$2,804,211. The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2003:

<u>Fiscal Year Ending June 30</u>	
2004	\$ 2,104,446
2005	1,308,025
2006	462,346
	<u>\$ 3,874,817</u>

F. Long-term obligations

1. General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both the governmental and business-type activities. The bonds are direct obligations and pledge the full faith and credit of the City. The utility related issues are expected to be repaid with user charges and the remaining bonds are expected to be repaid with general fund revenues. Interest on the bonds is payable semi-annually.

General obligation bonds outstanding at June 30, 2003 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Date Series Matures</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2003</u>
<u>Governmental Activities</u>					
Housing-Series 1991	6.0% to 6.5%	12/1/1991	6/1/2009	\$ 3,000,000	\$ 1,350,000
Housing-Series 1992B-Taxable	8.2% to 8.25%	4/1/1992	4/1/2012	2,250,000	1,150,000
Street/Sidewalk-Series 1994	5.40%	9/1/1994	3/1/2004	4,645,000	300,000
Housing-Series 1994B-Taxable	7.75% to 8.0%	9/1/1994	3/1/2011	2,900,000	1,975,000
Parks-Series 1996	5.2% to 5.3%	6/1/1996	6/1/2016	27,900,000	19,690,000
Housing-Series 1996	5.4% to 5.75%	6/1/1996	6/1/2016	2,280,000	1,495,000
Fire Station-Series 1996	5.2% to 5.3%	6/1/1996	6/1/2016	2,145,000	1,410,000
Public Improvement Refunding - Series 1997	4.25% to 5.0%	10/1/1997	4/1/2012	22,255,000	15,170,000
Housing-Series 1997-Taxable	6.7%	10/1/1997	4/1/2016	3,920,000	3,170,000
GO Refunding, Series 1998	3.6% to 4.2%	12/1/1998	6/1/2012	6,740,000	5,400,000
Street Improvement, Series 1998	4.3% to 4.4%	12/1/1998	6/1/2017	22,000,000	18,200,000
Public Improvement, Series 2002	4.0% to 5.0%	6/1/2002	6/1/2021	9,700,000	9,400,000
Public Improvement, Series 2002A	3.0% to 4.5%	12/1/2002	2/1/2021	2,900,000	2,900,000
Public Improvement, Series 2002B	3.0% to 4.5%	12/1/2002	2/1/2021	43,000,000	43,000,000
Public Improvement, Series 2002C	2.0% to 4.0%	12/1/2002	2/1/2013	14,905,000	14,270,000
Total Governmental Activities					<u><u>\$ 138,880,000</u></u>
<u>Business-type Activities</u>					
<u>Water and Sewer:</u>					
Water Series 1996	5.2% to 5.3%	6/1/1996	6/1/2016	11,120,000	\$ 7,525,000
Sanitary Sewer, Series 1996	5.2% to 5.3%	6/1/1996	6/1/2016	6,880,000	4,485,000
Sanitary Sewer Refunding - Series 1997	4.25% to 5.0%	10/1/1997	4/1/2012	16,325,000	11,130,000
Sanitary Sewer Refunding - Series 2002C	2.0% to 4.0%	12/1/2002	2/1/2013	3,055,000	2,925,000
<u>Water and Sewer Total</u>					<u><u>26,065,000</u></u>
<u>Parking Facilities:</u>					
Parking Facilities Refunding – Series 1997	4.25% to 5.0%	10/1/1997	4/1/2012	3,230,000	2,205,000
Parking Facilities, Series 1997	4.70% to 5.0%	10/1/1997	4/1/2016	8,670,000	6,670,000
<u>Parking Facilities Total</u>					<u><u>8,875,000</u></u>
Total Business-type Activities					<u><u>\$ 34,940,000</u></u>
Total Bonded Indebtedness					<u><u>\$ 173,820,000</u></u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2004	\$ 10,640,000	\$ 6,228,322	\$ 4,145,000	\$ 1,695,403
2005	10,620,000	5,793,735	4,095,000	1,516,328
2006	10,505,000	5,342,077	4,055,000	1,322,273
2007	10,235,000	4,893,941	3,960,000	1,129,677
2008	10,215,000	4,427,367	3,410,000	935,080
2009-2013	43,155,000	15,526,842	10,610,000	2,686,892
2014-2018	32,910,000	6,646,944	4,665,000	454,438
2019-2021	10,600,000	799,950	-	-
	<u>\$ 138,880,000</u>	<u>\$ 49,659,178</u>	<u>\$ 34,940,000</u>	<u>\$ 9,740,091</u>

Status of bond authorizations

The following represent continuing authorization of general obligation bonds, which were unsold at June 30, 2003:

September 5, 2000

Street improvement	\$ 35,000,000
Housing	14,000,000
Parks and recreation	11,000,000
	<u>\$ 60,000,000</u>

Defeased debt

The City has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. During 2002-03, the City issued \$17,960,000 (\$14,905,000 of governmental long-term debt and \$3,055,000 in water and sewer fund long-term debt) of general obligation refunding bonds to advance refund \$17,765,000 (\$14,760,000 of governmental long-term debt and \$3,005,000 in water and sewer fund long-term debt) of outstanding 1993 series general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets and from the water and sewer enterprise fund. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by \$1,172,659 and resulted in an economic gain of \$954,846. At June 30, 2003, a total of \$3,770,000 of bonds outstanding are considered defeased.

The reacquisition price on certain defeased general obligation bonds exceeded the carrying value of the old debt. This amount is being netted against the new debt and amortized over the life of the new debt. The unamortized balance of these deferred refundings at June 30, 2003 is \$504,546.

2. Revenue bonds

The City also issues revenue bonds to fund various water and sewer utility capital projects. The bonds are repaid from utility user charges. Revenue bonds outstanding at year end are \$74,495,000. The bonds have stated interest rates between 3.70% and 5.25% and are payable serially over the next 22 years. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2004	\$ 2,235,000	\$ 3,592,931
2005	2,325,000	3,499,706
2006	2,420,000	3,401,043
2007	2,535,000	3,290,692
2008	2,660,000	3,170,360
2009-2013	15,235,000	13,902,668
2014-2018	19,335,000	9,791,050
2019-2023	21,985,000	4,449,800
2024-2026	5,765,000	483,551
	<u>\$ 74,495,000</u>	<u>\$ 45,581,801</u>

A trust agreement, dated December 1, 1996, between the City and Wachovia Bank of North Carolina, as trustee, authorizes and secures all outstanding revenue bonds. Certain financial covenants are contained in the trust agreement, controlled by the trustee, including the requirement that the City maintain a long-term debt service coverage ratio on all utility debt of not less than 1.00. The City was in compliance with all such covenants during the fiscal year ended June 30, 2003, except for the total debt service coverage ratio which was 0.98. In accordance with the covenants, the City increased water and sewer rates effective July 1, 2003 in order to provide the required debt service coverage ratio.

3. Other long-term obligations

Other long-term obligations include reimbursement contracts, capital lease obligations, certificates of participation, installment financing agreements, earned vacation pay and landfill closure and postclosure costs. The total amount to be paid in the future periods including interest on certificates, installment financing agreements and other installment obligations is \$101,975,772. Interest is also paid on reimbursement contracts at a rate of 4 percent per year; however, the future amount to be paid on existing contracts has not been determined.

Installment financing agreements

The City has entered into an installment financing agreement, bearing interest at a rate of 6.40 percent to finance an amphitheater which is a governmental activities capital asset. Principal and interest requirements will be provided by appropriation in the year in which they become due. Annual maturities are as follows:

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2004	\$ 469,706	\$ 514,861
2005	500,249	484,319
2006	532,777	451,791
2007	567,420	417,148
2008	604,316	380,252
2009-2013	3,664,667	1,258,173
2014-2015	1,821,150	147,985
	<u>\$ 8,160,285</u>	<u>\$ 3,654,529</u>

The City has entered into installment financing agreements to finance the Cabarrus Street and the South Street Parking Decks. These agreements bear interest at rates ranging from 4.2% to 6.6% with a variable rate component for the South Street Deck, not to exceed 15%. Principal and interest requirements will be provided by appropriation in the year in which they become due. Annual maturities are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2004	\$ 1,014,004	\$ 739,563
2005	1,038,624	684,303
2006	1,058,498	627,880
2007	1,088,641	569,939
2008	1,114,066	510,324
2009-2013	4,835,000	1,682,150
2014-2018	2,750,000	749,880
2019-2021	1,635,000	122,445
	<u>\$ 14,533,833</u>	<u>\$ 5,686,484</u>

A portion of this debt was previously refinanced. The reacquisition price of the new debt exceeded the carrying value of the old debt. This amount is being netted against the new debt and amortized over the life of the new debt. The unamortized balance of this deferred refunding at June 30, 2003 is \$336,877.

The City has issued certificates of participation, bearing interest at rates ranging from 3.7% to 5.0%, to fund separate internal service funds for the purchase of rolling stock equipment for governmental and business-type activities. Principal and interest requirements will be provided by appropriation in the year in which they become due. Annual maturities are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2004	\$ 6,291,741	\$ 808,791	\$ 1,623,259	\$ 236,277
2005	3,857,495	573,188	892,505	178,850
2006	6,470,550	401,467	1,904,450	143,533
2007	3,833,222	172,746	1,526,778	69,129
	<u>\$ 20,453,008</u>	<u>\$ 1,956,192</u>	<u>\$ 5,946,992</u>	<u>\$ 627,789</u>

Portions of this debt were sold at premiums. This amount is included in the government-wide statement of net assets as long-term liabilities and is being amortized over the life of the debt. The unamortized balances at June 30, 2003 are \$682,453 for governmental activities and \$233,947 for business-type activities.

Other City obligations include installment purchase agreements for various land and building acquisitions, and capital construction projects. These agreements and notes bear interest at rates from 2.6 percent to 9.0 percent. Principal and interest requirements will be provided by appropriation in the year in which they become due. Annual maturities on installment purchase agreements and notes are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2004	\$ 811,629	\$ 145,321	\$ 1,692,598	\$ 592,396
2005	820,572	103,358	1,707,392	532,675
2006	331,805	73,328	1,722,873	471,342
2007	328,508	60,656	1,374,451	410,066
2008	25,971	47,224	1,374,451	365,120
2009-2013	197,621	168,356	5,749,455	1,158,056
2014-2018	97,040	12,754	3,565,252	337,730
2019-2020	-	-	330,000	12,870
	<u>\$ 2,613,146</u>	<u>\$ 610,997</u>	<u>\$ 17,516,472</u>	<u>\$ 3,880,255</u>

Reimbursement contracts

Outstanding principal balances for reimbursement contracts at June 30, 2003 are \$49,115 for business-type activities and \$3,143 for governmental activities.

Earned vacation pay

At June 30, 2003, earned vacation pay consists of \$11,988,996 for governmental activities and \$1,182,611 for business-type activities.

Landfill closure and postclosure care costs

State and federal laws and regulations require the City to maintain a final cover on its Wilders Grove Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The landfill was closed for waste disposal on December 31, 1997. The \$3,111,915 reported as landfill closure and postclosure liability as of June 30, 2003, represents the amount it would cost to perform remaining closure and postclosure care in 2003. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to demonstrate financial assurance for closure and postclosure care. The City is in compliance with these requirements, and, demonstrated such by completion of the local government financial test as submitted to the North Carolina Department of Environment and Natural Resources on November 5, 2002.

4. Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2003 was as follows:

	Balance June 30, 2002	Additions	Reductions	Balance June 30, 2003	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 102,690,000	\$ 60,805,000	\$ 24,615,000	\$ 138,880,000	\$ 10,640,000
Installment financing agreements	25,602,170	11,576,843	5,952,574	31,226,439	7,573,076
Unamortized premiums on IFA	202,513	684,305	204,365	682,453	204,366
Reimbursement contracts	3,493	-	350	3,143	559
Earned vacation pay	11,143,113	8,164,804	7,318,921	11,988,996	7,318,921
Landfill closure and postclosure	3,178,852	34,967	101,904	3,111,915	-
Total governmental activities	<u>\$ 142,820,141</u>	<u>\$ 81,265,919</u>	<u>\$ 38,193,114</u>	<u>\$ 185,892,946</u>	<u>\$ 25,736,922</u>
Business-type activities:					
General obligation bonds	\$ 39,350,000	\$ 3,055,000	\$ 7,465,000	\$ 34,940,000	\$ 4,145,000
Unamortized discount - GO bonds	(353,422)	-	(27,186)	(326,236)	(27,186)
Deferred refundings - GO bonds	(605,455)	-	(100,909)	(504,546)	(100,909)
Revenue bonds	76,640,000	-	2,145,000	74,495,000	2,235,000
Installment financing agreements	36,456,845	5,020,462	3,480,010	37,997,297	4,329,861
Unamortized premiums - IFA	22,318	273,834	62,205	233,947	62,205
Deferred refundings - IFA	(379,035)	-	(42,158)	(336,877)	(42,158)
Reimbursement contracts	52,448	2,429	5,762	49,115	5,762
Earned vacation pay	1,103,405	927,010	847,804	1,182,611	847,804
Total business-type activities	<u>\$ 152,287,104</u>	<u>\$ 9,278,735</u>	<u>\$ 13,835,528</u>	<u>\$ 147,730,311</u>	<u>\$ 11,455,379</u>

The current year additions to the governmental activities installment notes include noncash related financing activities in the amount of \$13,735.

Certain internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$219,227 of internal service funds earned vacation pay are included above as part of governmental activities. Also, for the governmental activities, landfill closure and postclosure costs and earned vacation pay are generally liquidated by the general fund.

5. Arbitrage

In accordance with Section 148 of the Internal Revenue Code of 1986, as amended, and Sections 1.103-13 to 1.103-15 of the related Treasury Regulations, the City must rebate to the federal government "arbitrage profits" earned on governmental bonds issued after August 31, 1986. Arbitrage profits are the excess of the amount earned on investments over the interest paid on the borrowings. At June 30, 2003, a liability for \$55,895, \$23,207 and \$303,781 is included in the water and sewer, parking facilities, and

internal service funds, respectively. A current liability for \$6,050 and \$492,115 are included in the housing bond fund and other nonmajor governmental funds, respectively.

6. Interest rate swap

Effective June 24, 2002, the City entered into a six year pay-variable, receive-fixed interest rate swap agreement with respect to \$50 million of its general obligation bonds. The notional value of the swap is \$50 million and the agreement matures June 1, 2008. The City pays a rate equivalent to the Bond Market Association Municipal Swap Index (BMA), which was 1.077% at June 30, 2003, and receives fixed-rate payments at 3.25%. Only the net difference in interest rate payments is actually exchanged. The \$50 million in bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The City continues to pay interest to the bondholders at the fixed rate provided by the bonds. However, during the term of the swap agreement, the City effectively pays the fixed rate of interest at which the debt was issued, adjusted for payments made to or received from the fixed-rate payer. During 2002-03, the City realized interest rate swap receipts of \$1,031,594 as the variable rate remained significantly lower than the fixed rate. The City will be exposed to additional interest expense payments if the variable rate exceeds 3.26%. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. Termination could result in the City being required to make an unanticipated termination payment.

Swap payments and associated debt. Using interest rates as of June 30, 2003, principal and interest requirements of the fixed-rate debt and net swap payments were as follows. As rates vary, net swap payments will vary. The principal and interest payments shown below are components of the general obligation bonds debt service requirements as reported on page 32.

Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2004	\$ -	\$ 2,546,008	\$ (1,091,200)	\$ 1,454,808
2005	-	2,546,008	(1,091,200)	1,454,808
2006	-	2,546,008	(1,091,200)	1,454,808
2007	-	2,546,008	(1,091,200)	1,454,808
2008	7,440,000	1,248,388	(963,129)	285,259
Total	<u>\$ 7,440,000</u>	<u>\$ 11,432,420</u>	<u>\$ (5,327,929)</u>	<u>\$ 6,104,491</u>

G. Restricted assets

Cash, cash equivalents and investments are restricted in the accompanying statements as follows by fund:

	Deposits	Unspent Debt Proceeds
<u>Governmental</u>		
General fund	\$ -	\$ 104,176
Nonmajor governmental funds	-	34,938,020
Total governmental	<u>-</u>	<u>35,042,196</u>
<u>Enterprise</u>		
Water and sewer fund	17,750,523	4,071,182
Parking facilities fund	-	372,258
Nonmajor enterprise funds	307,457	-
Total enterprise	<u>18,057,980</u>	<u>4,443,440</u>
<u>Internal service funds</u>		
Governmental equipment replacement fund	-	11,020,649
Public utilities equipment replacement fund	-	4,261,084
Total internal service fund	<u>-</u>	<u>15,281,733</u>
Total	<u>\$ 18,057,980</u>	<u>\$ 54,767,369</u>

Note 4. Other information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical and dental claims for employees, retirees, and dependents.

The City protects itself from potential loss through a combination of self-insurance retention plus the purchase of commercial insurance for various primary and excess coverages. There were no significant changes in insurance coverage from the prior year, except that the per occurrence self-insured retention for worker's compensation was raised from \$500,000 to \$1,000,000. No settlements, individually or in the aggregate, have exceeded the City's coverage limits or its own retention during the past three fiscal years.

City insurance coverages include general liability, automobile liability, police liability, automobile comprehensive, real and personal property, municipal equipment, electronic equipment, and boiler and machinery. For liability, the City self-insures the first \$1,000,000 per occurrence, with excess coverage of \$10,000,000 per occurrence and an annual aggregate stop-loss of \$3,000,000 purchased through the private sector. For property, the City self-insures the first \$100,000 per occurrence, with excess coverage up to the replacement value purchased through the private sector. The City continues to self insure for public officials liability.

Workers' compensation coverage is provided by a \$1,000,000 per occurrence self-insured retention with commercial excess coverage of \$1,000,000.

The City provides medical and dental coverage for employees and retirees. Employees can provide dependent coverage, if desired.

The City, as allowed by GASB Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, uses internal service funds, the risk management fund and the employees' health benefits fund, to account for its risk financing activities. The claims liability total of \$11,435,077 reported for these two internal service funds at June 30, 2003, is based upon the requirements of Statement 10, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims liabilities reported include an estimate for claims incurred but not reported. The changes in reported claims liabilities in fiscal years 2002-03 and 2001-2002 are as follows:

	<u>2003</u>	<u>2002</u>
Insurance claims payable, beginning of year	\$ 8,429,390	\$ 7,943,183
Current year claims and changes in estimates	20,505,044	17,213,555
Claim payments	<u>(17,499,357)</u>	<u>(16,727,348)</u>
Insurance claims payable, end of year	<u>\$ 11,435,077</u>	<u>\$ 8,429,390</u>

As previously noted, the risk management fund has deficit net assets at June 30, 2003 of \$902,154. This deficit results from adverse experience on prior years open claims during 2002-03 which, in turn, resulted in higher than expected future liability for these claims; and the liability for claims incurred but not reported at June 30, 2003. All actual known claims at June 30, 2003 are fully funded. The deficit condition will require increased future funding from the City.

At June 30, 2003, the City has cash reserves in the employee's health benefits fund of \$1.4 million to cover future risk in excess of recognized claims.

B. Commitments and contingent liabilities

Commitments – Neuse River Waste Treatment Plant

As a result of permit violations at its waste water treatment plant during 2001-02, the City has committed to on-going actions to correct the violations. Independent operating procedure and site assessment reviews were completed during 2002-03 and several organizational recommendations were implemented, including the creation and fully staffing of a reuse division and implementing significant change in biosolids management methods. The review also recommended significant future investment to expand and replace certain portions of older treatment processes at the plant. The 2003-04 capital improvement budget includes sixteen projects committed to general plant improvements for 2003-04 and 2004-05. These projects total \$21.4 million and will be funded from utility operations.

To date no environmental or public health claims have been brought against the City. Several business claims for property value loss have been filed or threatened. The City's liability for these claims, if any, cannot be determined at this time.

Commitment - loan guarantees

The City is loan guarantor in two development programs, as follows. The City has provided a loan guaranty to Bank of America, in the amount of \$275,000. The guaranty provides the borrower, CMA Associates Limited Partnership, financial assistance in connection with the construction and operation of an apartment project at City Market, in accordance with the City's downtown housing redevelopment program.

Also, the City has provided a loan guaranty to a program established by the City and nine area financial institutions known as the small business success fund. The maximum amount of the guaranty is \$300,000. The guaranty provides funding to cover any loan losses incurred by the program, limited to thirty percent of the outstanding loans or \$300,000, whichever is less. At June 30, 2003, thirty percent of the outstanding loans totaled \$20,809.

Commitment - enterprise funds

The City has entered into a raw water storage contract with the U. S. Corps of Engineers for raw water usage of up to 100 million gallons per day from Falls Lake. The contract requires that the City pay certain capital and operating costs of the lake which are dependent upon future costs of operation. The City's 2002-03 obligation was \$638,144. It is estimated, at this time, that the future annual cost to the City will not exceed \$655,000.

Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally by the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Other contingencies

The City is engaged in a lawsuit with the Town of Cary regarding a water supply contract. The water and sewer fund operating budgets for both 2001-02 and 2002-03 included revenues from contractual water sales to Cary which are larger than the amounts that can reasonably be expected to be received, assuming the City prevails in the lawsuit. The amount due the City at June 30, 2002 is \$1.4 million, and the amount budgeted for 2002-03 is \$3.6 million. No provision has been made for these amounts as accounts receivable.

C. Jointly governed organizations

Raleigh-Durham Airport Authority. The Raleigh-Durham Airport Authority plans and conducts operations of the Raleigh-Durham International Airport. This eight-member governing body is jointly appointed by the City of Durham, City of Raleigh, County of Durham and County of Wake, with each member government appointing two members. The authority selects the management and sets the budget and financing requirements of the airport. Each member government contributes \$12,500 annually for administration of the authority. Neither the City nor the other member governments exercise management control or are responsible for budget and financing requirements for the authority. A special airport tax district of Durham and Wake Counties was created to aid in the financing of major airport facilities and is governed by two members each from the respective county boards of commissioners. Because of its limited role in the Raleigh-Durham Airport Authority and the related special tax district, the City does not consider its participation to be a joint venture and, accordingly, further disclosure of the airport entity is not included. The authority does not meet the criteria to be included in the City's financial reporting entity.

Triangle J Council of Governments. The City, in conjunction with three counties and 22 other municipalities are members of the Triangle J Council of Governments. The participating governments established the council to coordinate various regional interests and intergovernmental funding. Each participating government appoints one delegate to the council's governing board. The City paid dues of \$74,219 to the council during the fiscal year ended June 30, 2003. The council does not meet the criteria to be included in the City's financial reporting entity.

Related organizations

The Raleigh Housing Authority. The Raleigh Housing Authority assists in providing housing for low income, elderly and disabled residents of the City. The mayor appoints all members of the authority's governing body, but the authority is not otherwise financially accountable to the City. The City has no responsibility in selecting the management of the authority. The primary revenue sources for the authority are federal grants and program revenues. Financial transactions between the City and the authority reflect contractual agreements between the parties for the provision of specific services by the authority for the City.

The City is not responsible for financing any deficits of the authority nor is it entitled to any surplus. In addition, the City does not guarantee any debt of the authority and such debt is not included in determining the City's statutory debt limit.

The City has loaned the Raleigh Housing Authority funds to provide specific maintenance services. The loans are presently being repaid and are accounted for in the City's financial statements. The authority does not meet the criteria to be included in the City's financial reporting entity.

The Raleigh Historic Districts Commission, Inc. The Raleigh Historic Districts Commission, Inc. was formed in 1993 to exercise jurisdiction for all historic properties and historic overlay districts within Raleigh's city limits and extraterritorial jurisdiction. The commission consists of 12 members appointed by the city council. The City's accountability for the commission does not extend beyond making appointments to the commission. Revenues to support the commission come from private contributions and grants from local and state governments. In the fiscal year ended June 30, 2003 the City appropriated \$49,000 to the commission. The not-for-profit organization does not meet the criteria to be included in the City's financial reporting entity.

The Raleigh Parking Deck Associates, Inc. A for-profit corporation established to finance and construct a parking deck is reflected in substance through a capital lease with the City. The corporation does not meet the criteria to be included in the City's financial reporting entity.

Interlocal agreement with Wake County

Pursuant to enabling legislation in 1991, the City of Raleigh and Wake County entered into an interlocal agreement to provide for the funding of various projects and facilities from the proceeds to be realized from the levy of a county-wide room occupancy tax and a prepared food and beverage tax. The proceeds and distributions of the taxes are accounted for in a special revenue fund maintained by the County. The City, by terms of the enabling legislation, is granted specific allocations of the taxes, but has entered into the interlocal agreement requiring joint action of the City and County governing bodies to expend both the City and County allocations.

At June 30, 2003 the balance in the trust maintained by the County was \$4,487,101, which is not available to the City except for current and future projects jointly determined by the City and the County. The City received \$2,000,000 in 2002-03 (\$1.0 million carried over from 2001-02 and \$1.0 million for 2002-03) and will receive \$1,000,000 in 2003-04 for the continuing support of the performing arts and convention center complex.

A tri-party agreement exists between the City of Raleigh, Wake County and the Centennial Authority, a public body created by the State of North Carolina to construct and govern operations of a multi-purpose regional sports and entertainment complex, which opened in October, 1999. Through the interlocal and tri-party agreements, part of the funding for this construction has been provided by the trust. Future receipts from the taxes are committed by the authority for operating support and repayment of the authority's debt.

Joint venture

The Greater Raleigh Convention and Visitors Bureau. The Greater Raleigh Convention and Visitors Bureau promotes and solicits business, conventions, meeting and tourism in Wake County. The bureau receives its primary revenue from a county-wide 6 percent occupancy tax and is a joint venture of the City of Raleigh and Wake County. The governing body of the bureau is a board of directors appointed by the Raleigh City Council and the Wake County Commissioners. The County is required to distribute monthly a percentage of the tax collected with a minimum aggregate annual distribution of \$1,000,000. If tax revenues are not sufficient to fully fund the bureau's minimum annual distributions, the City and County must fund the deficiency equally to ensure that the bureau receives its minimum distribution of \$1,000,000 in any fiscal year. There was no additional funding required of the City or County in the year ended June 30, 2003. All unexpended funds of the bureau revert to the County and City at the end of the fiscal year. Except for an investment in capital assets previously recorded by the City, the only equity in the fund at year-end is for encumbrances which will be expensed in the subsequent year. Based on this, no additional equity interest in the bureau is recorded at June 30, 2003. Full financial statements for the bureau can be obtained at the Greater Raleigh Convention and Visitors Bureau, Post Office Box 1879, Raleigh, North Carolina 27602. The bureau does not meet the criteria to be included in the City's financial reporting entity.

D. Employee retirement systems and pension plans

North Carolina Local Government Employees' Retirement System

Plan description. The City contributes to the statewide Local Government Employees' Retirement System (LGERS); a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Government Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Services Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not

engaged in law enforcement and for law enforcement officers is 4.80 percent and 4.63 percent, respectively, of annually covered payroll. The contribution requirements of members and of the City are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2003, 2002, and 2001 were \$6,053,072, \$5,741,606, and \$5,347,379, respectively. The contributions made by the City equaled the required contributions for each year.

Law Enforcement Supplemental Plans

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan description. The City contributes to the Supplemental Retirement Income Plan (Plan), a section 401(k) defined contribution pension plan administered by the Department of State Treasurer and a board of trustees. The plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officers' salary, and all amounts collected are vested immediately. Also, law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2003 were \$2,356,173, which consisted of \$1,542,129 from the City and \$814,044 from the law enforcement officers.

Law Enforcement Officers' Special Separation Allowance

Plan description:

The City administers a public employee retirement system (the "separation allowance"); a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The separation allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The separation allowance is reported in the City's report as a pension trust fund. A separate stand-alone report is not issued.

All full-time City law enforcement officers are covered by the separation allowance. At December 31, 2002, the separation allowance's membership consisted of:

Retirees and beneficiaries currently receiving benefits	106
Current active employees	<u>627</u>
Total	<u>733</u>

Summary of significant accounting policies:

Basis of accounting. Financial statements for the separation allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the City has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method used to value investments. The City pools money from several funds, including the law enforcement officers' separation allowance Fund. All such pooled cash and investments are considered cash and cash equivalents, which approximates fair value.

Contributions:

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed \$1,668,543, or 5.51 percent of annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance plan are financed through investment earnings.

Annual pension cost and net pension obligation:

The City's annual pension cost and net pension obligation to the separation allowance for the current year were as follows:

Employer annual required contribution	\$ 1,411,280
Interest paid on pension obligation	(111,858)
Adjustment to annual required contribution	105,600
Annual pension cost	<u>1,405,022</u>
Employer contributions made for current fiscal year	1,668,543
Increase in net pension obligation	(263,521)
Increase in net pension obligation beginning of fiscal year	<u>(1,542,866)</u>
Net pension obligation end of fiscal year	<u>\$ (1,806,387)</u>

The annual required contribution for the current year was determined as part of the December 31, 2001 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25 percent investment rate of return and (b) projected salary increases ranging from 5.9 percent to 9.8 percent per year. Item (b) included an inflation component of 3.75 percent. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2001 was 29 years.

Trend Information:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation End of Year</u>
June 30, 2001	\$ 1,398,106	103.89%	\$ (1,176,198)
June 30, 2002	\$ 1,301,893	128.16%	\$ (1,542,866)
June 30, 2003	\$ 1,405,022	118.76%	\$ (1,806,387)

The negative amounts shown above as the net pension obligations represent asset amounts or prepaid expenses. At these year-ends, there was no net pension obligation. Other required supplementary information is included in the required supplemental financial data.

Supplemental Retirement Plan

Supplemental Retirement Plan – Section 401a

Plan description. The City contributes matching amounts to a Section 401a Money Purchase Pension Plan for the purpose of providing supplemental retirement benefits to general employees. This plan is a defined

contribution plan and is reported as a pension trust fund. The plan is managed by ABNO-AMRO with investment options being exercised by employees.

Funding policy. For each eligible employee who contributes a minimum of .3 percent of salary to a Section 457 Supplemental Retirement Plan, the City contributes double this percentage of salary (to a maximum of 3.0 percent) into the 401a plan. During 2002-03, the City contributed \$1,833,469 to the plan.

E. Other postemployment benefits

City policy provides for post-employment health care and life insurance benefits for retired or disabled employees who have met eligibility requirements through age and/or service. The health care benefits terminate when individuals become eligible for Medicare coverage at age 65. For retirees over age 65, the City subsidizes the cost of a Blue Cross Blue Shield Medicare supplement plan by up to \$40 per month for each eligible retiree. Life insurance benefits range from \$1,000 to \$1,750, except for disability retirees whose benefit equals their insured annual salary amount at time of disability until age 65 when the coverage becomes \$1,750 depending on length of service.

At June 30, 2003, there were 599 City retirees receiving health care benefits, 189 of which also have dependent coverage. The City pays all of the cost of coverage for the retirees and those who select to have dependent health care pay for this at the City's group rate. In addition, 155 City retirees are currently enrolled in the City medicare supplement plan. There are 910 City retirees who have life insurance benefits.

For the fiscal year ended June 30, 2003, the City paid \$2,135,630 for retiree health care coverage, \$71,240 for medicare supplement coverage, and \$179,800 for retiree life insurance coverage. Medical and life insurance claims paid on retirees for the fiscal year ended June 30, 2003 were \$3,298,219 and \$86,544, respectively.



CITY OF RALEIGH, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

REQUIRED SUPPLEMENTAL FINANCIAL DATA

The *Required Supplemental Financial Data* contains additional information required by generally accepted accounting principles.

Included are the following:

1. Law Enforcement Officers' Special Separation Allowance – Schedule of Funding Progress
2. Law Enforcement Officers' Special Separation Allowance – Schedule of Employer Contributions

REQUIRED
SUPPLEMENTAL
FINANCIAL
DATA



REQUIRED SUPPLEMENTAL
FINANCIAL DATA



City of Raleigh

**LAW ENFORCEMENT OFFICERS'
SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date		Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)		Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1997*	\$	3,186,605	\$ 9,013,206	\$	5,826,601	35.4%	\$	21,206,732	27.5%
1998*		3,354,728	9,466,479		6,111,751	35.4		22,011,883	27.8
1999*		3,409,122	10,620,023		7,210,901	32.1		24,933,594	28.9
2000*		3,654,553	14,516,388		10,861,835	25.2		26,391,242	41.2
2001*		3,953,406	15,395,706		11,442,300	25.7		28,860,534	39.7
2002*		4,146,793	16,081,235		11,934,442	25.8		30,285,779	39.4

Notes:

*Information presented as of December 31 actuarial valuation date.

City of Raleigh**LAW ENFORCEMENT OFFICERS'
SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ended <u>June 30</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
1998	\$ 678,733	128.9%
1999	987,319	88.8
2000	1,089,836	111.2
2001	1,323,397	110.0
2002	1,306,663	127.7
2003	1,411,280	118.2

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	December 31, 2002
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	28 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increase*	5.9% to 9.8%
*Includes inflation at	3.75%
Cost of living adjustments	N/A



CITY OF RALEIGH, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

DETAILED FINANCIAL STATEMENTS
AND SCHEDULES

The ***Detailed Financial Statements and Schedules*** reflect the detail level of presentation behind the basic financial statements.

Included are the following:

1. Combining Statements - By Fund Type
2. Individual Fund Schedules with Comparisons to Budget
3. Capital Assets Used in the Operation of Governmental Funds
4. Other Schedules

DETAILED FINANCIAL
STATEMENTS AND SCHEDULES



CITY OF RALEIGH, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

NONMAJOR GOVERNMENTAL FUNDS

The *Nonmajor Governmental Funds* statements include the combining balance sheet and combining statement of revenues, expenditures and changes in fund balance for nonmajor special revenue funds and nonmajor capital projects funds that comprise the other governmental funds column in the basic financial statements. The combining nonmajor special revenue funds statements and the combining nonmajor capital projects funds statements are detailed behind the special revenue funds and capital project funds tabs.



NONMAJOR GOVERNMENTAL FUNDS



City of Raleigh

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2003**

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,702,055	\$ 66,197,588	\$ 71,899,643
Assessments receivable, net of allowance for uncollectibles of \$32,475	-	617,030	617,030
Due from other governmental agencies	8,742,105	1,017,986	9,760,091
Accrued interest receivable	5,665	66,859	72,524
Sales tax receivable	73,300	363,559	436,859
Loans receivable	2,494,771	-	2,494,771
Cash and cash equivalents/investments - restricted deposits and bond proceeds	-	34,938,020	34,938,020
Total assets	<u>\$ 17,017,896</u>	<u>\$ 103,201,042</u>	<u>\$ 120,218,938</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 473,716	\$ 4,823,734	\$ 5,297,450
Arbitrage rebate payable	-	492,115	492,115
Accrued salaries and employee payroll taxes	9,380	-	9,380
Rehabilitation loans escrow	257,669	-	257,669
Reimbursable facility fees	-	4,567,876	4,567,876
Claims payable and other liabilities	-	386,750	386,750
Due to other funds	4,104,045	1,475,000	5,579,045
Deferred revenue	2,792,273	617,030	3,409,303
Total liabilities	<u>7,637,083</u>	<u>12,362,505</u>	<u>19,999,588</u>
Fund balances:			
Unreserved:			
Designated for subsequent year's appropriation	4,631,007	88,062,089	92,693,096
Designated for specific purposes	4,191,739	4,081,151	8,272,890
Undesignated	558,067	(1,304,703)	(746,636)
Total fund balances	<u>9,380,813</u>	<u>90,838,537</u>	<u>100,219,350</u>
Total liabilities and fund balances	<u>\$ 17,017,896</u>	<u>\$ 103,201,042</u>	<u>\$ 120,218,938</u>

City of Raleigh

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2003**

	Special Revenue Funds	Capital Project Funds	Combining Eliminations	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 23,270,642	\$ 881,546	\$ -	\$ 24,152,188
Developer participation	-	304,876	-	304,876
Assessments	-	493,660	-	493,660
Interest on investments	172,605	1,547,372	-	1,719,977
Facility fees	-	3,586,261	-	3,586,261
Rents	237,686	-	-	237,686
Program income	151,179	-	-	151,179
Miscellaneous other	245,453	4,388,742	-	4,634,195
Total revenues	<u>24,077,565</u>	<u>11,202,457</u>	<u>-</u>	<u>35,280,022</u>
EXPENDITURES				
General government	203,669	-	-	203,669
Community development services	6,386,764	-	-	6,386,764
Public safety	1,796,600	-	-	1,796,600
Solid waste services	1,375,670	-	-	1,375,670
Leisure services	6,763,452	-	-	6,763,452
Other expenditures	58,507	-	-	58,507
Capital outlay	284,353	37,663,919	-	37,948,272
Debt service:				
Principal	-	371,570	-	371,570
Interest	-	35,004	-	35,004
Total expenditures	<u>16,869,015</u>	<u>38,070,493</u>	<u>-</u>	<u>54,939,508</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,208,550</u>	<u>(26,868,036)</u>	<u>-</u>	<u>(19,659,486)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,202,890	10,114,120	(5,542,849)	5,774,161
Transfers out	(12,869,231)	(7,654,990)	5,542,849	(14,981,372)
Bond proceeds	-	45,904,840	-	45,904,840
Total other financing sources (uses)	<u>(11,666,341)</u>	<u>48,363,970</u>	<u>-</u>	<u>36,697,629</u>
Net change in fund balances	(4,457,791)	21,495,934	-	17,038,143
Fund balance - beginning of year	13,838,604	69,342,603	-	83,181,207
Fund balance - ending of year	<u>\$ 9,380,813</u>	<u>\$ 90,838,537</u>	<u>\$ -</u>	<u>\$ 100,219,350</u>



CITY OF RALEIGH, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

SPECIAL REVENUE FUNDS

The primary purpose of the *Special Revenue Funds* is to account for the proceeds of designated revenue sources that are restricted by law or administrative action for specific purposes. Revenue sources accounted for through the City's special revenue funds include Powell Bill funds, supplemental sales tax proceeds, housing development and bond funds, and various grant revenues.



SPECIAL REVENUE FUNDS

GRANTS FUND (NONMAJOR FUND) - The Grants Fund accounts for activities to which federal, state, and other aid is contributed, with the exception of capital projects, federal community development, and public transportation assistance. This fund centralizes all funding sources for these activities and provides for full budgetary accountability.

SALES TAX FUND (NONMAJOR FUND) - The Sales Tax Fund accounts for revenue from local option sales tax proceeds which is budgeted for basic governmental purposes.

HOUSING DEVELOPMENT FUND (NONMAJOR FUND) - The Housing Development Fund accounts for City housing development programs, which are funded from City general revenues.

HOUSING BOND FUND (MAJOR FUND) - The Housing Bond Fund accounts for City housing development programs which are financed by general obligation bond issues.

COMMUNITY DEVELOPMENT FUND (MAJOR FUND) - The Community Development Fund accounts for United States Department of Housing and Urban Development (HUD) grant proceeds allocated to the City for community development programs.

POWELL BILL FUND (NONMAJOR FUND) - The Powell Bill Fund accounts for the receipts and expenditures of the one cent sales tax on motor fuel, which is distributed to municipalities for local street improvement and maintenance. Allocation of this state tax is on the basis of local street mileage and population data.

DISASTER RECOVERY FUND (NONMAJOR FUND) - The Disaster Recovery Fund accounts for federal and state reimbursement for disaster recovery activities resulting from various natural disasters and the City's flood mitigation program.

City of Raleigh

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2003**

	<u>Grants Fund</u>	<u>Sales Tax Fund</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 2,721,721
Due from other governmental agencies	1,373,475	-
Accrued interest receivable	-	2,752
Sales tax receivable	63,354	1,431
Loans receivable	-	-
Total assets	<u>\$ 1,436,829</u>	<u>\$ 2,725,904</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 200,484	\$ 4,383
Accrued salaries and employee payroll taxes	5,354	-
Rehabilitation loans escrow	-	-
Due to other funds	904,045	-
Deferred revenue	297,502	-
Total liabilities	<u>1,407,385</u>	<u>4,383</u>
Fund balances:		
Unreserved:		
Designated for subsequent year's appropriation	-	2,351,807
Designated for specific purposes	-	-
Undesignated	29,444	369,714
Total fund balances	<u>29,444</u>	<u>2,721,521</u>
Total liabilities and fund balances	<u>\$ 1,436,829</u>	<u>\$ 2,725,904</u>

Housing Development Fund	Powell Bill Fund	Disaster Recovery Fund	Total Nonmajor Special Revenue Funds
\$ 2,599,366	\$ 98,688	\$ 282,280	\$ 5,702,055
-	-	7,368,630	8,742,105
2,807	106	-	5,665
5,548	-	2,967	73,300
2,494,771	-	-	2,494,771
<u>\$ 5,102,492</u>	<u>\$ 98,794</u>	<u>\$ 7,653,877</u>	<u>\$ 17,017,896</u>
\$ 6,711	\$ -	\$ 262,138	\$ 473,716
4,026	-	-	9,380
257,669	-	-	257,669
-	-	3,200,000	4,104,045
2,494,771	-	-	2,792,273
<u>2,763,177</u>	<u>-</u>	<u>3,462,138</u>	<u>7,637,083</u>
2,279,200	-	-	4,631,007
-	-	4,191,739	4,191,739
60,115	98,794	-	558,067
<u>2,339,315</u>	<u>98,794</u>	<u>4,191,739</u>	<u>9,380,813</u>
<u>\$ 5,102,492</u>	<u>\$ 98,794</u>	<u>\$ 7,653,877</u>	<u>\$ 17,017,896</u>

City of Raleigh

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

NONMAJOR SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 2003

	Grants Fund	Sales Tax Fund	Housing Development Fund
REVENUES			
Intergovernmental	\$ 2,810,411	\$ 1,150	\$ -
Interest on investments	-	76,241	46,759
Rents	-	-	237,686
Program income	-	-	151,179
Miscellaneous other	70,988	174,465	-
Total revenues	<u>2,881,399</u>	<u>251,856</u>	<u>435,624</u>
EXPENDITURES			
Current:			
General government	167,527	-	-
Community development services	1,319,994	-	877,887
Public safety	1,649,277	-	-
Solid waste services	19,342	-	-
Leisure services	382,873	-	-
Other expenditures	17,395	-	-
Capital outlay	-	283,948	-
Total expenditures	<u>3,556,408</u>	<u>283,948</u>	<u>877,887</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(675,009)</u>	<u>(32,092)</u>	<u>(442,263)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	675,009	87,335	440,546
Transfers out	-	(7,246,321)	(62,717)
Total other financing sources and uses	<u>675,009</u>	<u>(7,158,986)</u>	<u>377,829</u>
Net change in fund balances	-	(7,191,078)	(64,434)
Fund balances - beginning	<u>29,444</u>	<u>9,912,599</u>	<u>2,403,749</u>
Fund balances - ending	<u>\$ 29,444</u>	<u>\$ 2,721,521</u>	<u>\$ 2,339,315</u>

Powell Bill Fund	Disaster Recovery Fund	Combining Eliminations	Total Nonmajor Special Revenue Funds
\$ 8,264,193	\$ 12,194,888	\$ -	\$ 23,270,642
49,605	-	-	172,605
-	-	-	237,686
-	-	-	151,179
-	-	-	245,453
<u>8,313,798</u>	<u>12,194,888</u>	<u>-</u>	<u>24,077,565</u>
-	36,142	-	203,669
-	4,188,883	-	6,386,764
-	147,323	-	1,796,600
-	1,356,328	-	1,375,670
-	6,380,579	-	6,763,452
-	41,112	-	58,507
405	-	-	284,353
<u>405</u>	<u>12,150,367</u>	<u>-</u>	<u>16,869,015</u>
<u>8,313,393</u>	<u>44,521</u>	<u>-</u>	<u>7,208,550</u>
-	3,764,000	(3,764,000)	1,202,890
(9,324,193)	-	3,764,000	(12,869,231)
<u>(9,324,193)</u>	<u>3,764,000</u>	<u>-</u>	<u>(11,666,341)</u>
(1,010,800)	3,808,521	-	(4,457,791)
1,109,594	383,218	-	13,838,604
<u>\$ 98,794</u>	<u>\$ 4,191,739</u>	<u>\$ -</u>	<u>\$ 9,380,813</u>

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
GRANTS FUND
For the Fiscal Year Ended June 30, 2003**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
U.S. Department of Transportation	\$ 516,428	\$ 619,640	\$ 1,136,068	\$ 1,336,772	\$ (200,704)
Corporation for National and Community Service	99,539	356,172	455,711	621,841	(166,130)
U.S. Forest Service	-	1,236	1,236	20,000	(18,764)
U.S. Department of Justice	2,608,838	1,296,563	3,905,401	4,447,858	(542,457)
U.S. Environmental Protection Agency	163,751	23,600	187,351	1,200,000	(1,012,649)
State of North Carolina	83,941	351,074	435,015	722,515	(287,500)
Wake County	122,600	162,126	284,726	352,910	(68,184)
	3,595,097	2,810,411	6,405,508	8,701,896	(2,296,388)
Miscellaneous other	37,021	70,988	108,009	182,629	(74,620)
Total revenues	<u>3,632,118</u>	<u>2,881,399</u>	<u>6,513,517</u>	<u>8,884,525</u>	<u>(2,371,008)</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	1,042,864	675,009	1,717,873	1,906,820	(188,947)
Street improvement fund	7,650	-	7,650	7,650	-
Stormwater utility fund	-	-	-	5,000	(5,000)
Total other financing sources	<u>1,050,514</u>	<u>675,009</u>	<u>1,725,523</u>	<u>1,919,470</u>	<u>(193,947)</u>
Total revenues and other financing sources	<u>\$ 4,682,632</u>	<u>\$ 3,556,408</u>	<u>\$ 8,239,040</u>	<u>\$ 10,803,995</u>	<u>\$ (2,564,955)</u>
EXPENDITURES					
General government	\$ 209,623	\$ 167,527	\$ 377,150	\$ 1,492,361	\$ (1,115,211)
Community development services	823,073	1,319,994	2,143,067	2,798,647	(655,580)
Public safety	3,323,054	1,649,277	4,972,331	5,576,310	(603,979)
Solid waste services	-	19,342	19,342	19,800	(458)
Leisure services	319,764	382,873	702,637	875,827	(173,190)
Other	7,118	17,395	24,513	41,050	(16,537)
Total expenditures	<u>\$ 4,682,632</u>	<u>\$ 3,556,408</u>	<u>\$ 8,239,040</u>	<u>\$ 10,803,995</u>	<u>\$ (2,564,955)</u>

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
SALES TAX FUND
For the Fiscal Year Ended June 30, 2003**

	Actual				Over (Under) Budget
	Prior Years	Current Year	Total	Budget	Budget
REVENUES					
Intergovernmental:					
State of North Carolina	\$ 49,280	\$ 575	\$ 49,855	\$ 50,000	\$ (145)
Triangle Transit Authority	49,280	575	49,855	50,000	(145)
Local sales tax	-	-	-	2,764,000	(2,764,000)
Interest on investments	-	76,241	76,241	50,000	26,241
Miscellaneous other	-	174,465	174,465	-	174,465
Total revenues	98,560	251,856	350,416	2,914,000	(2,563,584)
OTHER FINANCING SOURCES					
Transfer from:					
Miscellaneous capital improvements fund	-	87,335	87,335	87,335	-
Total revenues and other financing sources	\$ 98,560	\$ 339,191	\$ 437,751	3,001,335	\$ (2,563,584)
Fund balance appropriated				9,988,288	
				<u>\$ 12,989,623</u>	
EXPENDITURES					
Capital outlay	\$ 3,505,579	\$ 283,948	\$ 3,789,527	\$ 5,743,302	\$ (1,953,775)
OTHER FINANCING USES					
Transfers to:					
General fund	-	1,850,000	1,850,000	1,850,000	-
Disaster recovery fund	-	3,764,000	3,764,000	3,764,000	-
Miscellaneous capital improvements fund	-	1,632,321	1,632,321	1,632,321	-
Total other financing uses	-	7,246,321	7,246,321	7,246,321	-
Total expenditures and other financing uses	\$ 3,505,579	\$ 7,530,269	\$ 11,035,848	\$ 12,989,623	\$ (1,953,775)

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
HOUSING DEVELOPMENT FUND
For the Fiscal Year Ended June 30, 2003**

	Actual				Over (Under) Budget
	Prior Years	Current Year	Total	Budget	
REVENUES					
Interest on investments	\$ -	\$ 46,759	\$ 46,759	\$ 85,000	\$ (38,241)
Rents	-	237,686	237,686	237,686	-
Program income	-	151,179	151,179	106,819	44,360
Total revenues	-	435,624	435,624	429,505	6,119
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	440,508	440,508	440,508	-
Community development fund	-	38	38	38	-
Total other financing sources	-	440,546	440,546	440,546	-
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 876,170</u>	<u>\$ 876,170</u>	870,051	<u>\$ 6,119</u>
Fund balance appropriated				3,192,075	
				<u>\$ 4,062,126</u>	
EXPENDITURES					
Community development services	<u>\$ 931,819</u>	<u>\$ 877,887</u>	<u>\$ 1,809,706</u>	<u>\$ 3,999,409</u>	<u>\$ (2,189,703)</u>
OTHER FINANCING USES					
Transfer to general fund	<u>-</u>	<u>62,717</u>	<u>62,717</u>	<u>62,717</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 931,819</u>	<u>\$ 940,604</u>	<u>\$ 1,872,423</u>	<u>\$ 4,062,126</u>	<u>\$ (2,189,703)</u>

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
HOUSING BOND FUND
For the Fiscal Year Ended June 30, 2003**

		Actual			Over
	Prior	Current	Total	Budget	(Under)
	Years	Year			Budget
REVENUES					
Interest on investments	\$ -	\$ 66,003	\$ 66,003	\$ -	\$ 66,003
Program income	-	1,003,091	1,003,091	28,252	974,839
Miscellaneous other	-	4,499	4,499	-	4,499
Total revenues	-	1,073,593	1,073,593	28,252	1,045,341
OTHER FINANCING SOURCES					
Bond proceeds	-	-	-	4,750,000	(4,750,000)
Total revenues and other financing sources	\$ -	\$ 1,073,593	\$ 1,073,593	4,778,252	\$ (3,704,659)
Fund balance appropriated				12,054,674	
				<u>\$ 16,832,926</u>	
EXPENDITURES					
Economic development programs	\$ 5,969,326	\$ 3,592,462	\$ 9,561,788	\$ 16,432,926	\$ (6,871,138)
OTHER FINANCING USES					
Transfer to general fund	-	400,000	400,000	400,000	-
Total expenditures and other financing uses	\$ 5,969,326	\$ 3,992,462	\$ 9,961,788	\$ 16,832,926	\$ (6,871,138)

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
COMMUNITY DEVELOPMENT FUND
For the Fiscal Year Ended June 30, 2003**

	Actual				Over (Under) Budget
	Prior Years	Current Year	Total	Budget	
REVENUES					
Intergovernmental:					
US Department of HUD	\$ 5,982,154	\$ 2,330,669	\$ 8,312,823	\$ 13,209,578	\$ (4,896,755)
State of North Carolina	87,512	46,812	134,324	190,000	(55,676)
Program income	1,525,206	1,242,730	2,767,936	2,514,161	253,775
Total revenues	<u>7,594,872</u>	<u>3,620,211</u>	<u>11,215,083</u>	<u>15,913,739</u>	<u>(4,698,656)</u>
OTHER FINANCING SOURCES					
Transfer from park improvement fund	2,500	-	2,500	2,500	-
Total revenues and other financing sources	<u>\$ 7,597,372</u>	<u>\$ 3,620,211</u>	<u>\$ 11,217,583</u>	<u>\$ 15,916,239</u>	<u>\$ (4,698,656)</u>
EXPENDITURES					
Community development services	<u>\$ 7,597,372</u>	<u>\$ 3,620,173</u>	<u>\$ 11,217,545</u>	<u>\$ 15,916,201</u>	<u>\$ (4,698,656)</u>
OTHER FINANCING USES					
Transfer to housing development fund	-	38	38	38	-
Total expenditures and other financing uses	<u>\$ 7,597,372</u>	<u>\$ 3,620,211</u>	<u>\$ 11,217,583</u>	<u>\$ 15,916,239</u>	<u>\$ (4,698,656)</u>

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
POWELL BILL FUND
For the Fiscal Year Ended June 30, 2003**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Intergovernmental:			
State of North Carolina	\$ 8,264,193	\$ 8,444,193	\$ (180,000)
Interest on investments	49,605	60,500	(10,895)
Total revenues	<u>\$ 8,313,798</u>	<u>8,504,693</u>	<u>\$ (190,895)</u>
 Fund balance appropriated		<u>920,000</u>	
		<u>\$ 9,424,693</u>	
 EXPENDITURES			
Capital outlay	<u>\$ 405</u>	<u>\$ 500</u>	<u>\$ (95)</u>
 OTHER FINANCING USES			
Budget reserve	<u>-</u>	<u>100,000</u>	<u>(100,000)</u>
Transfers to:			
General fund	5,501,000	5,501,000	-
Street improvement fund	3,823,193	3,823,193	-
Total transfers out	<u>9,324,193</u>	<u>9,324,193</u>	<u>-</u>
Total other financing uses	<u>9,324,193</u>	<u>9,424,193</u>	<u>(100,000)</u>
 Total expenditures and other financing uses	<u>\$ 9,324,598</u>	<u>\$ 9,424,693</u>	<u>\$ (100,095)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
DISASTER RECOVERY FUND
For the Fiscal Year Ended June 30, 2003**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
Federal Emergency Management Agency	\$ -	\$ 9,192,996	\$ 9,192,996	\$ 7,205,152	\$ 1,987,844
State of North Carolina	-	3,001,892	3,001,892	2,409,037	592,855
Total revenues	-	12,194,888	12,194,888	9,614,189	2,580,699
OTHER FINANCING SOURCES					
Transfer from sales tax fund	-	3,764,000	3,764,000	3,764,000	-
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 15,958,888</u>	<u>\$ 15,958,888</u>	13,378,189	<u>\$ 2,580,699</u>
Fund balance appropriated				212,538	
				<u>\$ 13,590,727</u>	
EXPENDITURES					
General government	\$ -	\$ 36,142	\$ 36,142	\$ 408,805	\$ (372,663)
Community development services	-	4,188,883	4,188,883	4,366,314	(177,431)
Public safety	-	147,323	147,323	147,323	-
Solid waste services	-	1,356,328	1,356,328	1,402,421	(46,093)
Leisure services	-	6,380,579	6,380,579	7,224,752	(844,173)
Other	-	41,112	41,112	41,112	-
Total expenditures	<u>\$ -</u>	<u>\$ 12,150,367</u>	<u>\$ 12,150,367</u>	<u>\$ 13,590,727</u>	<u>\$ (1,440,360)</u>



CITY OF RALEIGH, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

GENERAL CAPITAL PROJECTS FUNDS

The purpose of the *General Capital Projects Funds* is to account for the financial resources segregated for the acquisition or construction of major general capital assets and facilities. The budgets within these funds are adopted for the life of the project. Under the project accounting concept, project expenditures, and the revenues used to fund them, are accumulated until the year the project is completed. General projects accounted for within the general capital projects funds include street projects, park improvements, technology projects, and other miscellaneous capital projects.

GENERAL CAPITAL PROJECTS FUNDS



GENERAL CAPITAL PROJECTS FUNDS

STREET IMPROVEMENT FUND (NONMAJOR FUND) - The Street Improvement Fund accounts for all street improvement programs to be financed from applicable street assessment proceeds and other non-bond street improvement resources.

STREET BOND FUND (NONMAJOR FUND) - The Street Bond Fund accounts for the street construction projects financed from the general obligation street bond issues.

SIDEWALK FUND (NONMAJOR FUND) - The Sidewalk Fund accounts for capital project costs for the construction of sidewalks within the City.

PARK IMPROVEMENT FUND (NONMAJOR FUND) - The Park Improvement Fund accounts for transfers from the general fund and other revenues and allocations, and all project costs in the construction of park improvements as well as park land and greenway acquisition.

FACILITY FEES FUND (NONMAJOR FUND) - The Facility Fees Fund accounts for facility fees collected from developers to be expended for street and park capital purposes within designated zones in the City.

PARK BOND FUND (NONMAJOR FUND) - The Park Bond Fund accounts for all bond proceeds and capital project costs related to the construction of park improvements or park land acquisition.

MISCELLANEOUS CAPITAL IMPROVEMENTS FUND (NONMAJOR FUND) - The Miscellaneous Capital Improvements Fund accounts for all capital improvement costs not applicable to other capital improvement programs. These improvements are financed from non-bond resources.

CONVENTION CENTER AND MEMORIAL AUDITORIUM PROJECTS FUND (NONMAJOR FUND) - The Convention Center and Memorial Auditorium Projects Fund accounts for all capital project costs related to the Convention Center and Memorial Auditorium Complex.

STORMWATER PROJECTS FUND (NONMAJOR FUND) - The Stormwater Projects Fund accounts for stormwater management and drainage projects. These projects are financed from non-bond resources.

TECHNOLOGY CAPITAL PROJECTS FUND (NONMAJOR FUND) - The Technology Capital Projects Fund accounts for long-term technology projects as recommended by the City's technology governance process. These projects are financed from general fund resources.

City of Raleigh

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
June 30, 2003**

	Street Improvement Fund	Street Bond Fund	Sidewalk Fund	Park Improvement Fund
ASSETS				
Cash and cash equivalents	\$ 21,842,055	\$ 2,346,787	\$ 2,416,148	\$ 12,482,862
Assessments receivable, net of allowance for uncollectibles of \$32,475	617,030	-	-	-
Due from other governmental agencies	150,000	312,206	-	-
Accrued interest receivable	22,055	2,392	2,438	12,601
Sales tax receivable	55,065	92,854	3,206	47,501
Cash and cash equivalents/investments - restricted deposits and bond proceeds	-	26,265,964	-	-
Total assets	<u>\$ 22,686,205</u>	<u>\$ 29,020,203</u>	<u>\$ 2,421,792</u>	<u>\$ 12,542,964</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 963,092	\$ 2,178,879	\$ 3,515	\$ 203,936
Arbitrage rebate payable	-	492,115	-	-
Reimbursable facility fees	-	-	-	-
Claims payable and other liabilities	342,716	-	-	30,333
Due to other funds	-	-	-	-
Deferred revenue	617,030	-	-	-
Total liabilities	<u>1,922,838</u>	<u>2,670,994</u>	<u>3,515</u>	<u>234,269</u>
Fund balances:				
Unreserved:				
Designated for subsequent year's appropriation	20,303,420	26,210,677	1,983,779	12,110,104
Designated for specific purposes	459,947	138,532	434,498	198,591
Undesignated	-	-	-	-
Total fund balances	<u>20,763,367</u>	<u>26,349,209</u>	<u>2,418,277</u>	<u>12,308,695</u>
Total liabilities and fund balances	<u>\$ 22,686,205</u>	<u>\$ 29,020,203</u>	<u>\$ 2,421,792</u>	<u>\$ 12,542,964</u>

Facility Fees Fund	Park Bond Fund	Miscellaneous Capital Improvements Fund	Convention Center and Memorial Auditorium Projects Fund	Stormwater Projects Fund	Technology Projects Fund	Total Nonmajor Capital Project Funds
\$ 6,559,660	\$ 5,226,886	\$ 8,884,535	\$ 358,215	\$ 4,178,005	\$ 1,902,435	\$ 66,197,588
-	-	-	-	-	-	617,030
-	-	-	-	555,780	-	1,017,986
6,628	5,275	8,967	363	4,230	1,910	66,859
-	51,052	104,759	7,011	258	1,853	363,559
-	2,943,512	5,728,544	-	-	-	34,938,020
<u>\$ 6,566,288</u>	<u>\$ 8,226,725</u>	<u>\$ 14,726,805</u>	<u>\$ 365,589</u>	<u>\$ 4,738,273</u>	<u>\$ 1,906,198</u>	<u>\$ 103,201,042</u>
\$ -	\$ 386,445	\$ 807,504	\$ 195,292	\$ 14,477	\$ 70,594	\$ 4,823,734
-	-	-	-	-	-	492,115
4,567,876	-	-	-	-	-	4,567,876
12,566	-	1,135	-	-	-	386,750
-	-	-	1,475,000	-	-	1,475,000
-	-	-	-	-	-	617,030
<u>4,580,442</u>	<u>386,445</u>	<u>808,639</u>	<u>1,670,292</u>	<u>14,477</u>	<u>70,594</u>	<u>12,362,505</u>
1,765,681	7,827,050	11,885,637	-	4,156,634	1,819,107	88,062,089
220,165	13,230	2,032,529	-	567,162	16,497	4,081,151
-	-	-	(1,304,703)	-	-	(1,304,703)
<u>1,985,846</u>	<u>7,840,280</u>	<u>13,918,166</u>	<u>(1,304,703)</u>	<u>4,723,796</u>	<u>1,835,604</u>	<u>90,838,537</u>
<u>\$ 6,566,288</u>	<u>\$ 8,226,725</u>	<u>\$ 14,726,805</u>	<u>\$ 365,589</u>	<u>\$ 4,738,273</u>	<u>\$ 1,906,198</u>	<u>\$ 103,201,042</u>

City of Raleigh

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
For the Fiscal Year Ended June 30, 2003**

	Street Improvement Fund	Street Bond Fund	Sidewalk Fund	Park Improvement Fund	Facility Fees Fund
REVENUES					
Intergovernmental	\$ 150,000	\$ 187,206	\$ -	\$ 350,000	\$ -
Developer participation	285,750	19,126	-	-	-
Assessments	395,779	-	97,881	-	-
Interest on investments	440,560	156,785	44,075	228,682	150,328
Facility fees	-	-	-	-	3,586,261
Miscellaneous other	878,457	13,055	112,341	720,745	-
Total revenues	<u>2,150,546</u>	<u>376,172</u>	<u>254,297</u>	<u>1,299,427</u>	<u>3,736,589</u>
EXPENDITURES					
Street paving/sidewalk projects	6,266,975	15,885,641	212,678	-	-
Parks and recreation projects	-	-	-	3,545,533	-
Convention center and memorial auditorium	-	-	-	-	-
Stormwater and drainage projects	-	-	-	-	-
Other public improvements	-	-	-	-	-
Technology capital projects	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>6,266,975</u>	<u>15,885,641</u>	<u>212,678</u>	<u>3,545,533</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,116,429)</u>	<u>(15,509,469)</u>	<u>41,619</u>	<u>(2,246,106)</u>	<u>3,736,589</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	6,916,253	1,720,823	335,000	2,533,000	-
Transfers out	(4,978,667)	-	(60,735)	(159,444)	(5,675,000)
Bond proceeds	-	38,004,007	-	-	-
Total other financing sources and uses	<u>1,937,586</u>	<u>39,724,830</u>	<u>274,265</u>	<u>2,373,556</u>	<u>(5,675,000)</u>
Net change in fund balances	<u>(2,178,843)</u>	<u>24,215,361</u>	<u>315,884</u>	<u>127,450</u>	<u>(1,938,411)</u>
Fund balance - beginning of year	<u>22,942,210</u>	<u>2,133,848</u>	<u>2,102,393</u>	<u>12,181,245</u>	<u>3,924,257</u>
Fund balance - ending of year	<u>\$ 20,763,367</u>	<u>\$ 26,349,209</u>	<u>\$ 2,418,277</u>	<u>\$ 12,308,695</u>	<u>\$ 1,985,846</u>

Park Bond Fund	Miscellaneous Capital Improvements Fund	Convention Center and Memorial Auditorium Projects Fund	Stormwater Projects Fund	Technology Projects Fund	Combining Eliminations	Total Nonmajor Capital Project Funds
\$ -	\$ -	\$ -	\$ 194,340	-	\$ -	\$ 881,546
-	-	-	-	-	-	304,876
-	-	-	-	-	-	493,660
136,198	252,820	11,384	87,076	39,464	-	1,547,372
-	-	-	-	-	-	3,586,261
4,112	594,787	2,040,456	24,789	-	-	4,388,742
<u>140,310</u>	<u>847,607</u>	<u>2,051,840</u>	<u>306,205</u>	<u>39,464</u>	<u>-</u>	<u>11,202,457</u>
-	-	-	-	-	-	22,365,294
3,618,548	-	-	-	-	-	7,164,081
-	-	202,442	-	-	-	202,442
-	-	-	865,270	-	-	865,270
-	6,511,143	-	-	-	-	6,511,143
-	-	-	-	555,689	-	555,689
262,667	-	-	108,903	-	-	371,570
28,470	-	-	6,534	-	-	35,004
<u>3,909,685</u>	<u>6,511,143</u>	<u>202,442</u>	<u>980,707</u>	<u>555,689</u>	<u>-</u>	<u>38,070,493</u>
<u>(3,769,375)</u>	<u>(5,663,536)</u>	<u>1,849,398</u>	<u>(674,502)</u>	<u>(516,225)</u>	<u>-</u>	<u>(26,868,036)</u>
159,444	2,758,343	-	-	4,107,259	(8,416,002)	10,114,120
-	(170,030)	-	(3,271,686)	(1,755,430)	8,416,002	(7,654,990)
<u>5,000,527</u>	<u>2,900,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,904,840</u>
5,159,971	5,488,619	-	(3,271,686)	2,351,829	-	48,363,970
1,390,596	(174,917)	1,849,398	(3,946,188)	1,835,604	-	21,495,934
<u>6,449,684</u>	<u>14,093,083</u>	<u>(3,154,101)</u>	<u>8,669,984</u>	<u>-</u>	<u>-</u>	<u>69,342,603</u>
<u>\$ 7,840,280</u>	<u>\$ 13,918,166</u>	<u>\$ (1,304,703)</u>	<u>\$ 4,723,796</u>	<u>\$ 1,835,604</u>	<u>\$ -</u>	<u>\$ 90,838,537</u>

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
STREET IMPROVEMENT FUND
For the Fiscal Year Ended June 30, 2003**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Intergovernmental:					
State of North Carolina	\$ -	\$ 150,000	\$ 150,000	\$ 150,000	\$ -
Developer participation	1,241,510	285,750	1,527,260	4,271,120	(2,743,860)
Assessments	-	395,779	395,779	200,000	195,779
Interest on investments	-	440,560	440,560	650,000	(209,440)
Miscellaneous other	60,000	878,457	938,457	680,000	258,457
Total revenues	<u>1,301,510</u>	<u>2,150,546</u>	<u>3,452,056</u>	<u>5,951,120</u>	<u>(2,499,064)</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	57,325	57,325	57,325	-
Powell bill fund	-	3,823,193	3,823,193	3,823,193	-
Sidewalk improvement fund	-	60,735	60,735	60,735	-
Facility fees fund	-	2,975,000	2,975,000	2,975,000	-
Total other financing sources	<u>-</u>	<u>6,916,253</u>	<u>6,916,253</u>	<u>6,916,253</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 1,301,510</u>	<u>\$ 9,066,799</u>	<u>\$ 10,368,309</u>	<u>12,867,373</u>	<u>\$ (2,499,064)</u>
Fund balance appropriated				<u>51,566,617</u>	
				<u>\$ 64,433,990</u>	
EXPENDITURES					
Street projects	<u>\$ 29,874,183</u>	<u>\$ 6,266,975</u>	<u>\$ 36,141,158</u>	<u>\$ 59,283,523</u>	<u>\$ (23,142,365)</u>
OTHER FINANCING USES					
Transfers to:					
Street bond fund	171,800	1,654,128	1,825,928	1,825,928	-
Mass transit fund	-	1,178,539	1,178,539	1,178,539	-
Stormwater utility capital projects fund	<u>-</u>	<u>2,146,000</u>	<u>2,146,000</u>	<u>2,146,000</u>	<u>-</u>
Total other financing uses	<u>171,800</u>	<u>4,978,667</u>	<u>5,150,467</u>	<u>5,150,467</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 30,045,983</u>	<u>\$ 11,245,642</u>	<u>\$ 41,291,625</u>	<u>\$ 64,433,990</u>	<u>\$ (23,142,365)</u>

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
STREET BOND FUND
For the Fiscal Year Ended June 30, 2003**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
State of North Carolina	\$ 125,000	\$ 187,206	\$ 312,206	\$ 510,000	\$ (197,794)
Developer participation	110,714	19,126	129,840	166,787	(36,947)
Interest on investments	-	156,785	156,785	500,000	(343,215)
Miscellaneous other	-	13,055	13,055	12,556	499
Total revenues	<u>235,714</u>	<u>376,172</u>	<u>611,886</u>	<u>1,189,343</u>	<u>(577,457)</u>
OTHER FINANCING SOURCES					
Transfers from:					
Street improvement fund	-	1,654,128	1,654,128	1,654,128	-
Miscellaneous capital improvements fund	<u>-</u>	<u>66,695</u>	<u>66,695</u>	<u>66,695</u>	<u>-</u>
	-	1,720,823	1,720,823	1,720,823	-
Bond proceeds	<u>-</u>	<u>38,004,007</u>	<u>38,004,007</u>	<u>45,651,000</u>	<u>(7,646,993)</u>
Total other financing sources	<u>-</u>	<u>39,724,830</u>	<u>39,724,830</u>	<u>47,371,823</u>	<u>(7,646,993)</u>
Total revenues and other financing sources	<u>\$ 235,714</u>	<u>\$ 40,101,002</u>	<u>\$ 40,336,716</u>	48,561,166	<u>\$ (8,224,450)</u>
Fund balance appropriated				<u>32,728,419</u>	
				<u>\$ 81,289,585</u>	
EXPENDITURES					
Street projects	<u>\$ 31,111,746</u>	<u>\$ 15,885,641</u>	<u>\$ 46,997,387</u>	<u>\$ 81,289,585</u>	<u>\$ (34,292,198)</u>

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
SIDEWALK FUND
For the Fiscal Year Ended June 30, 2003**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Interest on investments	\$ -	\$ 44,075	\$ 44,075	\$ 50,000	\$ (5,925)
Sidewalk paving assessment	-	97,881	97,881	50,000	47,881
Fees in lieu various	-	112,341	112,341	125,000	(12,659)
Total revenues	-	254,297	254,297	225,000	29,297
OTHER FINANCING SOURCES					
Transfer from facility fees fund	-	335,000	335,000	335,000	-
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 589,297</u>	<u>\$ 589,297</u>	560,000	<u>\$ 29,297</u>
Fund balance appropriated				2,458,494	
				<u>\$ 3,018,494</u>	
EXPENDITURES					
Sidewalk projects	<u>\$ 474,714</u>	<u>\$ 212,678</u>	<u>\$ 687,392</u>	<u>\$ 2,957,759</u>	<u>\$ (2,270,367)</u>
OTHER FINANCING USES					
Transfer to street improvement fund	-	60,735	60,735	60,735	-
Total expenditures and other financing uses	<u>\$ 474,714</u>	<u>\$ 273,413</u>	<u>\$ 748,127</u>	<u>\$ 3,018,494</u>	<u>\$ (2,270,367)</u>

City of Raleigh

SCHEDULE OF REVENUES AND EXPENDITURES COMPARED WITH BUDGET PARK IMPROVEMENT FUND For the Fiscal Year Ended June 30, 2003

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Intergovernmental:					
Wake County	\$ -	\$ 350,000	\$ 350,000	\$ 350,000	\$ -
Interest on investments	-	228,682	228,682	240,000	(11,318)
Miscellaneous other	-	720,745	720,745	377,035	343,710
Total revenues	-	1,299,427	1,299,427	967,035	332,392
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	168,000	168,000	168,000	-
Facility fees fund	-	2,365,000	2,365,000	2,365,000	-
Total other financing sources	-	2,533,000	2,533,000	2,533,000	-
Total revenues and other financing sources	\$ -	\$ 3,832,427	\$ 3,832,427	3,500,035	\$ 332,392
Fund balance appropriated				18,179,624	
				<u>\$ 21,679,659</u>	
EXPENDITURES					
Park improvement projects	\$ 6,264,579	\$ 3,545,533	\$ 9,810,112	\$ 21,520,215	\$ (11,710,103)
OTHER FINANCING USES					
Transfer to park bond fund	-	159,444	159,444	159,444	-
Total expenditures and other financing uses	\$ 6,264,579	\$ 3,704,977	\$ 9,969,556	\$ 21,679,659	\$ (11,710,103)

City of Raleigh**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
FACILITY FEES FUND
For the Fiscal Year Ended June 30, 2003**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Interest on investments	\$ -	\$ 150,328	\$ 150,328	\$ 150,000	\$ 328
Facility fees	-	3,586,261	3,586,261	3,650,000	(63,739)
Total revenues	<u>\$ -</u>	<u>\$ 3,736,589</u>	<u>\$ 3,736,589</u>	3,800,000	<u>\$ (63,411)</u>
Fund balance appropriated				3,504,000	
				<u>\$ 7,304,000</u>	
EXPENDITURES					
Street and park projects	\$ -	\$ -	\$ -	\$ 1,629,000	\$ (1,629,000)
OTHER FINANCING USES					
Transfers to:					
Street improvement fund	-	2,975,000	2,975,000	2,975,000	-
Sidewalk fund	-	335,000	335,000	335,000	-
Park improvement fund	<u>-</u>	<u>2,365,000</u>	<u>2,365,000</u>	<u>2,365,000</u>	<u>-</u>
Total other financing uses	<u>-</u>	<u>5,675,000</u>	<u>5,675,000</u>	<u>5,675,000</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ -</u>	<u>\$ 5,675,000</u>	<u>\$ 5,675,000</u>	<u>\$ 7,304,000</u>	<u>\$ (1,629,000)</u>

City of Raleigh

SCHEDULE OF REVENUES AND EXPENDITURES COMPARED WITH BUDGET PARK BOND FUND For the Fiscal Year Ended June 30, 2003

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
Wake County	\$ -	\$ -	\$ -	\$ 980,000	\$ (980,000)
Interest on investments	-	136,198	136,198	226,500	(90,302)
Miscellaneous income	20,000	4,112	24,112	20,000	4,112
Total revenues	<u>20,000</u>	<u>140,310</u>	<u>160,310</u>	<u>1,226,500</u>	<u>(1,066,190)</u>
OTHER FINANCING SOURCES					
Transfer from					
park improvement fund	-	159,444	159,444	159,444	-
Bond proceeds	-	5,000,527	5,000,527	10,048,000	(5,047,473)
Total other financing sources	<u>-</u>	<u>5,159,971</u>	<u>5,159,971</u>	<u>10,207,444</u>	<u>(5,047,473)</u>
Total revenues and other financing sources	<u>\$ 20,000</u>	<u>\$ 5,300,281</u>	<u>\$ 5,320,281</u>	<u>11,433,944</u>	<u>\$ (6,113,663)</u>
Fund balance appropriated				<u>13,920,738</u>	
				<u>\$ 25,354,682</u>	
EXPENDITURES					
Park projects	\$ 8,567,080	\$ 3,618,548	\$ 12,185,628	\$ 24,686,135	\$ (12,500,507)
Debt Service:					
Principal	292,000	262,667	554,667	554,667	-
Interest	85,410	28,470	113,880	113,880	-
Total expenditures	<u>\$ 8,944,490</u>	<u>\$ 3,909,685</u>	<u>\$ 12,854,175</u>	<u>\$ 25,354,682</u>	<u>\$ (12,500,507)</u>

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
MISCELLANEOUS CAPITAL IMPROVEMENTS FUND
For the Fiscal Year Ended June 30, 2003**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Intergovernmental:					
Wake County	\$ -	\$ -	\$ -	\$ 500,000	\$ (500,000)
Interest on investments	45,328	252,820	298,148	110,988	187,160
Miscellaneous income	1,282,302	594,787	1,877,089	1,687,358	189,731
Total revenues	1,327,630	847,607	2,175,237	2,298,346	(123,109)
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	326,022	326,022	326,022	-
Sales tax fund	-	1,632,321	1,632,321	1,632,321	-
Stormwater projects fund	-	800,000	800,000	800,000	-
	-	2,758,343	2,758,343	2,758,343	-
Bond proceeds	-	2,900,306	2,900,306	6,875,000	(3,974,694)
Total other financing sources	-	5,658,649	5,658,649	9,633,343	(3,974,694)
Total revenues and other financing sources	\$ 1,327,630	\$ 6,506,256	\$ 7,833,886	11,931,689	\$ (4,097,803)
Fund balance appropriated				8,955,505	
				\$ 20,887,194	
EXPENDITURES					
Miscellaneous capital projects	\$ 2,476,072	\$ 6,511,143	\$ 8,987,215	\$ 20,717,164	\$ (11,729,949)
OTHER FINANCING USES					
Transfers to:					
Sales tax fund	-	87,335	87,335	87,335	-
Street bond fund	-	66,695	66,695	66,695	-
Mass transit fund	-	16,000	16,000	16,000	-
Total other financing uses	-	170,030	170,030	170,030	-
Total expenditures and other financing uses	\$ 2,476,072	\$ 6,681,173	\$ 9,157,245	\$ 20,887,194	\$ (11,729,949)

City of Raleigh**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
CONVENTION CENTER AND MEMORIAL AUDITORIUM
PROJECTS FUND
For the Fiscal Year Ended June 30, 2003**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Interest on investments	\$ -	\$ 11,384	\$ 11,384	\$ -	\$ 11,384
Interlocal agreement	-	1,125,000	1,125,000	1,125,000	-
Performing arts center donations	11,923,347	915,456	12,838,803	16,407,194	(3,568,391)
Total revenues	<u>\$ 11,923,347</u>	<u>\$ 2,051,840</u>	<u>\$ 13,975,187</u>	17,532,194	<u>\$ (3,557,007)</u>
Fund balance appropriated				19,110,797	
				<u>\$ 36,642,991</u>	
EXPENDITURES					
Convention center and memorial auditorium projects	<u>\$ 35,481,853</u>	<u>\$ 202,442</u>	<u>\$ 35,684,295</u>	<u>\$ 36,642,991</u>	<u>\$ (958,696)</u>

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
STORMWATER PROJECTS FUND
For the Fiscal Year Ended June 30, 2003**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
State of North Carolina	\$ 2,339,848	\$ 194,340	\$ 2,534,188	\$ 3,730,000	\$ (1,195,812)
Interest on investments	-	87,076	87,076	200,000	(112,924)
Drainage petition fees	8,224	24,789	33,013	694,567	(661,554)
Total revenues	<u>\$ 2,348,072</u>	<u>\$ 306,205</u>	<u>\$ 2,654,277</u>	4,624,567	<u>\$ (1,970,290)</u>
Fund balance appropriated				11,356,002	
				<u>\$ 15,980,569</u>	
EXPENDITURES					
Stormwater projects	\$ 5,006,401	\$ 865,270	\$ 5,871,671	\$ 12,478,010	\$ (6,606,339)
Debt service:					
Principal	102,738	108,903	211,641	211,641	-
Interest	12,698	6,534	19,232	19,232	-
	<u>115,436</u>	<u>115,437</u>	<u>230,873</u>	<u>230,873</u>	<u>-</u>
Total expenditures	<u>5,121,837</u>	<u>980,707</u>	<u>6,102,544</u>	<u>12,708,883</u>	<u>(6,606,339)</u>
OTHER FINANCING USES					
Transfers to:					
General fund	-	646,700	646,700	646,700	-
Miscellaneous capital improvements fund	-	800,000	800,000	800,000	-
Stormwater utility fund	-	1,750,000	1,750,000	1,750,000	-
Stormwater utility capital projects fund	-	74,986	74,986	74,986	-
Total other financing uses	<u>-</u>	<u>3,271,686</u>	<u>3,271,686</u>	<u>3,271,686</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 5,121,837</u>	<u>\$ 4,252,393</u>	<u>\$ 9,374,230</u>	<u>\$ 15,980,569</u>	<u>\$ (6,606,339)</u>

City of Raleigh**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
TECHNOLOGY PROJECTS FUND
For the Fiscal Year Ended June 30, 2003**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Interest on investments	\$ -	\$ 39,464	\$ 39,464	\$ -	\$ 39,464
OTHER FINANCING SOURCES					
Transfer from general fund	-	4,107,259	4,107,259	4,207,259	(100,000)
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 4,146,723</u>	<u>\$ 4,146,723</u>	<u>4,207,259</u>	<u>\$ (60,536)</u>
EXPENDITURES					
Technology projects	\$ -	\$ 555,689	\$ 555,689	\$ 2,451,829	\$ (1,896,140)
OTHER FINANCING USES					
Transfer to general fund	-	1,755,430	1,755,430	1,755,430	-
Total expenditures and other financing uses	<u>\$ -</u>	<u>\$ 2,311,119</u>	<u>\$ 2,311,119</u>	<u>\$ 4,207,259</u>	<u>\$ (1,896,140)</u>



CITY OF RALEIGH, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

ENTERPRISE FUNDS

Enterprise Funds are a subclassification of the proprietary fund types and are used to account for operations:

- (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods or services to the general public be recovered through user charges; or,
- (b) where the governing body has decided that periodic determinations of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The City's enterprise fund operations include mass transit, water and sewer utility, parking facilities and stormwater utility.



ENTERPRISE FUNDS

MASS TRANSIT FUND (NONMAJOR FUND) - The Mass Transit Fund accounts for the user charges, fees, federal contributions and all operating costs associated with the operation of the transit system of the City. This fund also accounts for all capital projects financed by transit grant proceeds.

WATER AND SEWER FUND (MAJOR FUND) - The Water and Sewer Fund combines the operating, debt service and capital projects funds as follows:

WATER AND SEWER OPERATING FUND - The Water and Sewer Operating Fund accounts for the user charges, fees, other resources and all operating costs associated with the operation of the water and sewer systems of the City.

WATER CAPITAL PROJECTS FUND - The Water Capital Projects Fund accounts for transfers from other funds (primarily from water and sewer operating fund), developer participation, and all capital project costs in the construction of water capital improvement projects.

SEWER CAPITAL PROJECTS FUND - The Sewer Capital Projects Fund accounts for transfers from other funds (primarily from water and sewer operating fund), developer participation, and all capital project costs in the construction of sewer capital improvement projects.

WATER AND SEWER REVENUE BOND FUND - The Water and Sewer Revenue Bond Fund accounts for all water and sewer revenue bond proceeds and capital project costs in the construction of various utility capital improvement projects.

WATER AND SEWER GENERAL OBLIGATION BOND FUND - The Water and Sewer General Obligation Bond Fund accounts for all water and sewer general obligation bond proceeds and capital project costs in the construction of various utility capital improvement projects.

PARKING FACILITIES FUND (MAJOR FUND) - The Parking Facilities Fund accounts for the parking fee charges and all operating costs associated with the operation of all parking decks and lots owned by the City. This fund combines an operating and a capital projects fund as follows:

PARKING FACILITIES OPERATING FUND - The Parking Facilities Operating Fund accounts for the operations, debt service, and capital costs of all parking facilities.

PARKING FACILITIES CAPITAL PROJECTS FUND - The Parking Facilities Capital Projects Fund accounts for the capital costs of any parking facilities being constructed or improved.

STORMWATER UTILITY FUND (NONMAJOR FUND) – The Stormwater Utility Fund is a new fund created in FY03 to account for operating and capital costs associated with the City’s stormwater management program. Operations and capital projects are funded in FY03 by transfers from other funds; a stormwater utility fee is expected to be implemented in FY04. This fund combines the **Stormwater Utility Operating Fund** and the **Stormwater Utility Capital Projects Fund**.



NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENTS

The *Nonmajor Enterprise Funds* combining statements include the combining statement of net assets, the combining statement of revenues, expenses, and changes in net assets, and the combining statement of cash flows for nonmajor enterprise funds that comprise the other enterprise funds column in the basic financial statements.



City of Raleigh

Combining Statement of Net Assets

Nonmajor Enterprise Funds

June 30, 2003

	Mass Transit Fund	Stormwater Utility Fund	Total Nonmajor Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,819,804	\$ 5,255,689	\$ 8,075,493
Due from other governmental agencies	5,921,853	-	5,921,853
Accrued interest receivable	-	5,685	5,685
Other receivables and assets	5,000	-	5,000
Sales tax receivable	29,154	3,285	32,439
Due from other funds	-	5,000	5,000
Inventories	238,719	-	238,719
Total current assets	<u>9,014,530</u>	<u>5,269,659</u>	<u>14,284,189</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	307,457	307,457
Capital assets:			
Land and improvements	988,989	-	988,989
Construction in progress	-	33,696	33,696
Buildings and machinery	3,798,718	-	3,798,718
Buses	18,313,510	-	18,313,510
Equipment	702,846	-	702,846
Furniture and fixtures	18,800	-	18,800
Improvements	900,908	-	900,908
Less accumulated depreciation	(11,748,183)	-	(11,748,183)
Total noncurrent assets	<u>12,975,588</u>	<u>341,153</u>	<u>13,316,741</u>
Total assets	<u>21,990,118</u>	<u>5,610,812</u>	<u>27,600,930</u>
LIABILITIES			
Current liabilities:			
Accounts payable	5,594,127	38,787	5,632,914
Accrued salaries and employee payroll taxes	1,187	5,013	6,200
Deferred contributions from other funds	1,320,374	-	1,320,374
Due to other funds	1,462	-	1,462
Escrow and other deposits payable from restricted assets	19,500	307,457	326,957
Total current liabilities	<u>6,936,650</u>	<u>351,257</u>	<u>7,287,907</u>
Noncurrent liabilities:			
Earned vacation pay	41,966	86,792	128,758
Total noncurrent liabilities	<u>41,966</u>	<u>86,792</u>	<u>128,758</u>
Total liabilities	<u>6,978,616</u>	<u>438,049</u>	<u>7,416,665</u>
NET ASSETS			
Invested in capital assets, net of related debt	12,975,588	-	12,975,588
Unrestricted	2,035,914	5,172,763	7,208,677
Total net assets	<u>\$ 15,011,502</u>	<u>\$ 5,172,763</u>	<u>\$ 20,184,265</u>

City of Raleigh

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2003

	Mass Transit Fund	Stormwater Utility Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
User charges	\$ 1,767,970	\$ -	\$ 1,767,970
Other	277,861	4,040	281,901
Total operating revenues	<u>2,045,831</u>	<u>4,040</u>	<u>2,049,871</u>
OPERATING EXPENSES			
Administration	435,741	1,494,853	1,930,594
Materials, services and supplies	-	1,181,929	1,181,929
Other services	3,667,255	-	3,667,255
Management contract charges	7,918,942	-	7,918,942
Depreciation	1,619,880	-	1,619,880
Other	-	-	-
Total operating expenses	<u>13,641,818</u>	<u>2,676,782</u>	<u>16,318,600</u>
Operating income (loss)	<u>(11,595,987)</u>	<u>(2,672,742)</u>	<u>(14,268,729)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest on investments	-	92,645	92,645
Subsidy income - federal and state	3,448,532	-	3,448,532
Total nonoperating revenue (expense)	<u>3,448,532</u>	<u>92,645</u>	<u>3,541,177</u>
Income (loss) before contributions and transfers	(8,147,455)	(2,580,097)	(10,727,552)
Capital contributions	5,041,663	-	5,041,663
Transfers in	6,345,605	7,752,860	14,098,465
Change in net assets	3,239,813	5,172,763	8,412,576
Total net assets - beginning of year	<u>11,771,689</u>	<u>-</u>	<u>11,771,689</u>
Total net assets - end of year	<u>\$ 15,011,502</u>	<u>\$ 5,172,763</u>	<u>\$ 20,184,265</u>

City of Raleigh

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2003**

	Mass Transit Fund	Stormwater Utility Fund	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,045,831	\$ 4,040	\$ 2,049,871
Net sales tax paid	(6,770)	(3,285)	(10,055)
Payments to employees	(333,421)	(1,481,255)	(1,814,676)
Payments to suppliers and service providers	(12,196,586)	(1,143,142)	(13,339,728)
Internal activity - payments to other funds	-	(5,000)	(5,000)
Net cash used in operating activities	<u>(10,490,946)</u>	<u>(2,628,642)</u>	<u>(13,119,588)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers from other funds	6,162,467	7,831,067	13,993,534
Operating grants received	<u>2,920,376</u>	<u>-</u>	<u>2,920,376</u>
Net cash provided by noncapital financing activities	<u>9,082,843</u>	<u>7,831,067</u>	<u>16,913,910</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase and construction of capital assets	(176,767)	(33,696)	(210,463)
Capital grants and other capital contributions	149,840	-	149,840
Insurance proceeds	145,000	-	145,000
Escrow deposits	<u>-</u>	<u>307,457</u>	<u>307,457</u>
Net cash provided by capital and related financing activities	<u>118,073</u>	<u>273,761</u>	<u>391,834</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	<u>-</u>	<u>86,960</u>	<u>86,960</u>
Net cash provided by investing activities	<u>-</u>	<u>86,960</u>	<u>86,960</u>
Net increase (decrease) in cash and cash equivalents/investments	(1,290,030)	5,563,146	4,273,116
Cash and cash equivalents/investments - beginning of year	4,109,834	-	4,109,834
Cash and cash equivalents/investments - end of year	<u>\$ 2,819,804</u>	<u>\$ 5,563,146</u>	<u>\$ 8,382,950</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES			
Operating loss	\$ (11,595,987)	\$ (2,672,742)	\$ (14,268,729)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation expense	1,619,880	-	1,619,880
Change in assets and liabilities			
Sales tax receivable	(6,770)	(3,285)	(10,055)
Inventories	12,327	-	12,327
Other receivables and assets	-	(5,000)	(5,000)
Accounts payable - operating accounts	(532,059)	43,800	(488,259)
Escrow and other deposits	5,000	-	5,000
Earned vacation pay	6,663	8,585	15,248
Total adjustments	<u>1,105,041</u>	<u>44,100</u>	<u>1,149,141</u>
Net cash used in operating activities	<u>\$ (10,490,946)</u>	<u>\$ (2,628,642)</u>	<u>\$ (13,119,588)</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Net transfer of assets and liabilities from other funds	<u>\$ 251,046</u>	<u>\$ 78,207</u>	<u>\$ 329,253</u>
Acquisition and construction of capital assets	<u>\$ 5,150,726</u>	<u>\$ -</u>	<u>\$ 5,150,726</u>



**SCHEDULE OF REVENUES
AND EXPENDITURES –
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
ENTERPRISE FUNDS**

The following schedules present the results of operations for all individual enterprise funds on the modified accrual basis for comparison to the legally adopted budgets for each fund. For GAAP purposes the individual funds are consolidated into the two funds shown in basic financial statements and the two funds shown in the preceding combining financial statements. A reconciliation of the modified accrual basis to the full accrual basis (per generally accepted accounting principles) follows each schedule or group of schedules.

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
MASS TRANSIT FUND
For the Fiscal Year Ended June 30, 2003**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Farebox	\$ -	\$ 1,732,187	\$ 1,732,187	\$ 2,009,000	\$ (276,813)
Charter	-	35,783	35,783	25,000	10,783
Intergovernmental revenue:					
Federal Transit Administration	7,571,634	1,297,463	8,869,097	22,175,535	(13,306,438)
State of North Carolina	353,064	1,772,753	2,125,817	3,794,847	(1,669,030)
Miscellaneous other	-	422,861	422,861	284,070	138,791
Total revenues	<u>7,924,698</u>	<u>5,261,047</u>	<u>13,185,745</u>	<u>28,288,452</u>	<u>(15,102,707)</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	5,375,818	5,375,818	5,380,451	(4,633)
Sales tax fund	974,158	-	974,158	974,615	(457)
Street improvement fund	1,774,564	1,178,539	2,953,103	2,953,103	-
Miscellaneous capital projects fund	-	16,000	16,000	16,000	-
Total other financing sources	<u>2,748,722</u>	<u>6,570,357</u>	<u>9,319,079</u>	<u>9,324,169</u>	<u>(5,090)</u>
Total revenues and other financing sources	<u>\$ 10,673,420</u>	<u>\$ 11,831,404</u>	<u>\$ 22,504,824</u>	37,612,621	<u>\$ (15,107,797)</u>
Fund balance appropriated				731,014	
				<u>\$ 38,343,635</u>	
EXPENDITURES					
Mass transit operating expenditures	\$ -	\$ 8,172,514	\$ 8,172,514	\$ 8,553,187	\$ (380,673)
ART program operating expenditures	-	1,559,802	1,559,802	1,520,878	38,924
Capital grant expenditures	<u>10,330,718</u>	<u>7,610,452</u>	<u>17,941,170</u>	<u>28,269,570</u>	<u>(10,328,400)</u>
Total expenditures	<u>\$ 10,330,718</u>	<u>\$ 17,342,768</u>	<u>\$ 27,673,486</u>	<u>\$ 38,343,635</u>	<u>\$ (10,670,149)</u>

Continued

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
MASS TRANSIT FUND
For the Fiscal Year Ended June 30, 2003**

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues - modified accrual basis	\$ 11,831,404
Total current year expenditures - modified accrual basis	<u>17,342,768</u>
Deficiency of revenues over expenditures	(5,511,364)
Adjustments to full accrual basis:	
Capital outlay	5,327,493
Increase in federal and state receivables - capital projects	5,168,933
Increase in deferred contributions from other funds	(224,752)
Insurance proceeds from equipment loss	(145,000)
Transfer of assets from other agency	251,046
Depreciation	(1,619,880)
Vacation expense	<u>(6,663)</u>
Changes in net assets per statement of revenues, expenses, and changes in fund net assets	<u><u>\$ 3,239,813</u></u>

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER AND SEWER OPERATING FUND
For the Fiscal Year Ended June 30, 2003**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Water and sewer user charges	\$ 46,895,070	\$ 51,542,270	\$ (4,647,200)
Water and sewer services	602,075	650,000	(47,925)
Outside sewer connections	43,670	75,000	(31,330)
Water and sewer penalties	193,779	60,000	133,779
Water and sewer sales - municipalities	6,198,036	6,123,469	74,567
Capital facility charges	966,293	490,000	476,293
Water and sewer assessments	368,578	650,000	(281,422)
Acreage connection fees	250,000	250,000	-
Other sewer and treatment fees	1,884,996	1,507,000	377,996
Miscellaneous other	584,926	754,534	(169,608)
Total operating revenues	<u>57,987,423</u>	<u>62,102,273</u>	<u>(4,114,850)</u>
NONOPERATING REVENUES			
Interest on investments	1,106,254	1,847,884	(741,630)
Other	476,145	443,551	32,594
Total nonoperating revenues	<u>1,582,399</u>	<u>2,291,435</u>	<u>(709,036)</u>
OTHER FINANCING SOURCES			
Refunding bonds issued	3,150,198	3,150,198	-
Total revenues and other financing sources	<u>\$ 62,720,020</u>	67,543,906	<u>\$ (4,823,886)</u>
Fund balance appropriated		<u>6,406,485</u>	
		<u>\$ 73,950,391</u>	
EXPENDITURES			
Public utilities:			
Administration	\$ 2,870,666	\$ 3,264,181	\$ (393,515)
Water plant	12,041,174	13,712,089	(1,670,915)
Waste treatment plant	11,742,026	12,287,540	(545,514)
Utilities construction	3,060,581	3,451,214	(390,633)
Utilities maintenance	4,454,925	5,057,108	(602,183)
Meter	3,502,031	3,818,616	(316,585)
Warehouse	952,535	1,192,176	(239,641)
	<u>38,623,938</u>	<u>42,782,924</u>	<u>(4,158,986)</u>
Special appropriations:			
Reimbursement to general fund	7,139,390	7,139,390	-
Insurance and risk management charges	509,219	509,061	158
Other expenditures	630,734	711,051	(80,317)
	<u>8,279,343</u>	<u>8,359,502</u>	<u>(80,159)</u>

Continued

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER AND SEWER OPERATING FUND
For the Fiscal Year Ended June 30, 2003**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
EXPENDITURES (CONTINUED)			
Debt service:			
General obligations bonds:			
Principal	\$ 3,685,000	\$ 3,685,000	\$ -
Interest	1,451,256	1,488,786	(37,530)
Revenue bonds:			
Principal	2,145,000	2,145,000	-
Interest	3,681,116	3,681,116	-
Installment financing agreement	1,909,144	2,011,874	(102,730)
Other installment obligations	7,375	10,000	(2,625)
Other expenditures	95,379	190,740	(95,361)
	<u>12,974,270</u>	<u>13,212,516</u>	<u>(238,246)</u>
 OTHER EXPENDITURES			
Refunds and other	<u>77,911</u>	<u>73,644</u>	<u>4,267</u>
	<u>77,911</u>	<u>73,644</u>	<u>4,267</u>
Total expenditures	<u>59,955,462</u>	<u>64,428,586</u>	<u>(4,473,124)</u>
 OTHER FINANCING USES			
Transfers out:			
General fund	112,500	112,500	-
Public utilities equipment replacement fund	64,196	64,196	-
Water capital projects fund	2,769,592	2,769,592	-
Sewer capital projects fund	<u>3,425,319</u>	<u>3,425,319</u>	<u>-</u>
Total transfers	6,371,607	6,371,607	-
Payment to refunded bond escrow agent	<u>3,150,198</u>	<u>3,150,198</u>	<u>-</u>
Total other financing uses	<u>9,521,805</u>	<u>9,521,805</u>	<u>-</u>
 Total expenditures and other financing uses	<u>\$ 69,477,267</u>	<u>\$ 73,950,391</u>	<u>\$ (4,473,124)</u>

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2003**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Interest on investments	\$ -	\$ 120,854	\$ 120,854	\$ 50,000	\$ 70,854
Developer participation:					
Ray Road sewer	15,582	-	15,582	23,892	(8,310)
Conquest Drive	-	89,109	89,109	89,109	-
Acreage connection fees	-	750,000	750,000	-	750,000
Total revenues	<u>15,582</u>	<u>959,963</u>	<u>975,545</u>	<u>163,001</u>	<u>812,544</u>
OTHER FINANCING SOURCES					
State loan proceeds	-	-	-	2,900,000	(2,900,000)
Transfer from water and sewer operating fund	-	2,769,592	2,769,592	2,769,592	-
Total revenues and other financing sources	<u>\$ 15,582</u>	<u>\$ 3,729,555</u>	<u>\$ 3,745,137</u>	<u>5,832,593</u>	<u>\$ (2,087,456)</u>
Fund balance appropriated				<u>11,318,664</u>	
				<u>\$ 17,151,257</u>	
EXPENDITURES					
Water capital projects	<u>\$ 3,541,347</u>	<u>\$ 5,051,655</u>	<u>\$ 8,593,002</u>	<u>\$ 16,204,290</u>	<u>\$ (7,611,288)</u>
OTHER FINANCING USES					
Transfers to:					
Sewer capital projects fund	-	3,724	3,724	3,724	-
Water and sewer revenue bond fund	74,800	864,589	939,389	939,389	-
Water and sewer general obligation bond fund	-	3,854	3,854	3,854	-
Total other financing uses	<u>74,800</u>	<u>872,167</u>	<u>946,967</u>	<u>946,967</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 3,616,147</u>	<u>\$ 5,923,822</u>	<u>\$ 9,539,969</u>	<u>\$ 17,151,257</u>	<u>\$ (7,611,288)</u>

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
SEWER CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2003**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Interest on investments	\$ -	\$ 193,231	\$ 193,231	\$ 50,000	\$ 143,231
Intergovernmental:					
USEPA	-	115,000	115,000	115,000	-
Developer participation:					
Burntwood Circle sewer	-	115,283	115,283	115,283	-
Wake Chapel Church	-	328,118	328,118	328,118	-
Telemetry upgrade	-	-	-	20,424	(20,424)
Neuse outfall extension	-	-	-	66,667	(66,667)
Acreage connection fees	-	1,419,356	1,419,356	14,675	1,404,681
Miscellaneous other	-	113,629	113,629	-	113,629
Total revenues	-	2,284,617	2,284,617	710,167	1,574,450
OTHER FINANCING SOURCES					
Transfers from:					
Water and sewer operating fund	-	3,425,320	3,425,320	3,425,320	-
Water capital projects fund	-	3,724	3,724	3,724	-
	-	3,429,044	3,429,044	3,429,044	-
State loan proceeds	983,219	94,060	1,077,279	1,360,000	(282,721)
Total other financing sources	983,219	3,523,104	4,506,323	4,789,044	(282,721)
Total revenues and other financing sources	<u>\$ 983,219</u>	<u>\$ 5,807,721</u>	<u>\$ 6,790,940</u>	5,499,211	<u>\$ 1,291,729</u>
Fund balance appropriated				12,840,937	
				<u>\$ 18,340,148</u>	
EXPENDITURES					
Sewer capital projects	<u>\$ 5,151,651</u>	<u>\$ 5,368,241</u>	<u>\$ 10,519,892</u>	<u>\$ 17,416,825</u>	<u>\$ (6,896,933)</u>
OTHER FINANCING USES					
Transfers to water and sewer revenue bond fund	-	923,323	923,323	923,323	-
Total expenditures and other financing uses	<u>\$ 5,151,651</u>	<u>\$ 6,291,564</u>	<u>\$ 11,443,215</u>	<u>\$ 18,340,148</u>	<u>\$ (6,896,933)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER AND SEWER REVENUE BOND FUND
For the Fiscal Year Ended June 30, 2003**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Interest on investments	\$ -	\$ 196,227	\$ 196,227	\$ -	\$ 196,227
Developer participation	-	-	-	19,500	(19,500)
Total revenues	-	196,227	196,227	19,500	176,727
OTHER FINANCING SOURCES					
Transfers from:					
Water capital projects fund	-	864,589	864,589	864,589	-
Sewer capital projects fund	-	923,323	923,323	923,323	-
Total other financing sources	-	1,787,912	1,787,912	1,787,912	-
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 1,984,139</u>	<u>\$ 1,984,139</u>	1,807,412	<u>\$ 176,727</u>
Fund balance appropriated				53,796,094	
				<u>\$ 55,603,506</u>	
EXPENDITURES					
Water capital projects	\$ 28,568,186	\$ 4,171,364	\$ 32,739,550	\$ 37,191,392	\$ (4,451,842)
Sewer capital projects	12,881,216	4,090,282	16,971,498	18,278,134	(1,306,636)
Total expenditures	41,449,402	8,261,646	49,711,048	55,469,526	(5,758,478)
OTHER FINANCING USES					
Transfer to water and sewer general obligation bond fund	-	133,980	133,980	133,980	-
Total expenditures and other financing uses	<u>\$ 41,449,402</u>	<u>\$ 8,395,626</u>	<u>\$ 49,845,028</u>	<u>\$ 55,603,506</u>	<u>\$ (5,758,478)</u>

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER AND SEWER GENERAL OBLIGATION BOND FUND
For the Fiscal Year Ended June 30, 2003**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Interest on investments	\$ -	\$ 58,221	\$ 58,221	\$ -	\$ 58,221
OTHER FINANCING SOURCES					
Transfers from:					
Water capital projects fund	-	3,854	3,854	3,854	-
Water and sewer revenue bond fund	-	133,980	133,980	133,980	-
Total other financing sources	-	137,834	137,834	137,834	-
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 196,055</u>	<u>\$ 196,055</u>	137,834	<u>\$ 58,221</u>
Fund balance appropriated				5,236,074	
				<u>\$ 5,373,908</u>	
EXPENDITURES					
Water and sewer capital projects	<u>\$ 1,754,053</u>	<u>\$ 1,063,161</u>	<u>\$ 2,817,214</u>	<u>\$ 5,373,908</u>	<u>\$ (2,556,694)</u>

City of Raleigh

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL WATER AND SEWER FUNDS For the Fiscal Year Ended June 30, 2003

RECONCILIATION OF MODIFIED ACCRUAL TO FULL ACCRUAL BASIS:

Total current year revenues and other financing
sources - modified accrual basis:

Water and sewer operating fund	\$ 62,720,020
Water capital projects fund	3,729,555
Sewer capital projects fund	5,807,721
Water and sewer revenue bond fund	1,984,139
Water and sewer general obligation bond fund	196,055

Total current year expenditures and other financing
uses - modified accrual basis:

Water and sewer operating fund	(69,477,267)
Water capital projects fund	(5,923,822)
Sewer capital projects fund	(6,291,564)
Water and sewer revenue bond fund	(8,395,626)
Water and sewer general obligation bond fund	<u>(1,063,161)</u>

Excess of revenues and other financing sources over
expenditures and other financing uses (16,713,950)

Adjustments to full accrual basis:

Amortization of deferred costs	(28,226)
Bad debt expense	(296,398)
Bond and note principal payments	7,171,613
Bond and note proceeds	(144,060)
Capital contributions	11,195,830
Capital outlay	17,079,718
Capitalized interest	426,500
Depreciation	(13,204,429)
Interest expense accrual	(41,644)
Interest income accrual	83,319
Other escrow expenditures	50,352
Revenue accruals from receivables	<u>312,766</u>

Change in net assets per statement of revenues, expenses and
changes in fund net assets \$ 5,891,391

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
PARKING FACILITIES OPERATING FUND
For the Fiscal Year Ended June 30, 2003**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Parking fees	\$ 2,326,574	\$ 2,524,200	\$ (197,626)
Interest on investments	<u>135,174</u>	<u>81,322</u>	<u>53,852</u>
Total revenues	<u>2,461,748</u>	<u>2,605,522</u>	<u>(143,774)</u>
OTHER FINANCING SOURCES			
Transfer from general fund	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 4,461,748</u>	<u>4,605,522</u>	<u>\$ (143,774)</u>
Fund balance appropriated		<u>228,741</u>	
		<u>\$ 4,834,263</u>	
EXPENDITURES			
Operating expenditures	<u>\$ 521,354</u>	<u>\$ 967,593</u>	<u>\$ (446,239)</u>
DEBT SERVICE			
Bond principal	775,000	775,000	-
Bond interest	461,150	481,150	(20,000)
Note principal	1,028,249	1,028,249	-
Note interest	<u>387,544</u>	<u>794,851</u>	<u>(407,307)</u>
Total debt service	<u>2,651,943</u>	<u>3,079,250</u>	<u>(427,307)</u>
OTHER FINANCING USES			
Budget reserve	<u>-</u>	<u>787,420</u>	<u>(787,420)</u>
Total expenditures and other financing uses	<u>\$ 3,173,297</u>	<u>\$ 4,834,263</u>	<u>\$ (1,660,966)</u>

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
PARKING FACILITIES CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2003**

	Actual				Over (Under) Budget
	Prior Years	Current Year	Total	Budget	
REVENUES					
Interest on investments	\$ -	\$ 107,414	\$ 107,414	\$ -	\$ 107,414
Miscellaneous other	-	6,956	6,956	-	6,956
Total revenues	<u>\$ -</u>	<u>\$ 114,370</u>	<u>\$ 114,370</u>	<u>-</u>	<u>\$ 114,370</u>
Fund balance appropriated				12,966,082	
				<u>\$ 12,966,082</u>	
EXPENDITURES					
Operating expenditures	\$ -	\$ 351,921	\$ 351,921	\$ 645,000	\$ (293,079)
Parking facilities capital projects	10,318,140	-	10,318,140	12,321,082	(2,002,942)
Total expenditures	<u>\$ 10,318,140</u>	<u>\$ 351,921</u>	<u>\$ 10,670,061</u>	<u>\$ 12,966,082</u>	<u>\$ (2,296,021)</u>

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
PARKING FACILITIES FUNDS
For the Fiscal Year Ended June 30, 2003**

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis	
(Parking facilities operating fund)	\$ 4,461,748
Total current year expenditures and other financing uses - modified accrual basis	
(Parking facilities operating fund)	(3,173,297)
Total current year revenues and other financing sources - modified accrual basis	
(Parking facilities capital projects fund)	114,370
Total current year expenditures and other financing uses - modified accrual basis	
(Parking facilities capital projects fund)	<u>(351,921)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	1,050,900
Adjustments to full accrual basis:	
Depreciation	(990,445)
Accrued interest expense	12,087
Amortization of deferred refunding and deferred issue costs	(75,534)
Bond principal	775,000
Note principal	1,028,248
Accrued interest income - arbitrage	<u>(47)</u>
Change in net assets per statement of revenues, expenses and changes in fund net assets	<u><u>\$ 1,800,209</u></u>

City of Raleigh**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
STORMWATER UTILITY FUNDS
For the Fiscal Year Ended June 30, 2003**

	Actual Current Year	Budget	Over (Under) Budget
REVENUES			
Interest on investments	\$ 37,631	\$ -	\$ 37,631
OTHER FINANCING SOURCES			
Transfers from:			
General fund	3,860,081	3,860,081	-
Stormwater projects fund	1,750,000	1,750,000	-
Total other financing sources	5,610,081	5,610,081	-
Total revenues and other financing sources	<u>\$ 5,647,712</u>	<u>\$ 5,610,081</u>	<u>\$ 37,631</u>
EXPENDITURES			
Operating expenditures	\$ 2,642,026	\$ 4,243,081	\$ (1,601,055)
OTHER FINANCING SOURCES			
Transfers to stormwater utility capital projects fund	1,367,000	1,367,000	-
Total expenditures	<u>\$ 4,009,026</u>	<u>\$ 5,610,081</u>	<u>\$ (1,601,055)</u>

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
STORMWATER UTILITY CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2003**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Interest on investments	\$ -	\$ 55,014	\$ 55,014	\$ -	\$ 55,014
Miscellaneous other	-	4,040	4,040	82,600	(78,560)
Total revenues		59,054	59,054	82,600	(23,546)
OTHER FINANCING SOURCES					
Transfers from:					
Street improvement fund	-	2,146,000	2,146,000	2,146,000	-
Stormwater projects fund	-	74,986	74,986	74,986	-
Stormwater utility operating fund	-	1,367,000	1,367,000	1,367,000	-
Total other financing sources		3,587,986	3,587,986	3,587,986	-
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 3,647,040</u>	<u>\$ 3,647,040</u>	<u>\$ 3,670,586</u>	<u>\$ (23,546)</u>
EXPENDITURES					
Stormwater capital projects	\$ -	\$ 68,452	\$ 68,452	\$ 3,665,586	\$ (3,597,134)
OTHER FINANCING USES					
Transfer to grants fund	-	-	-	5,000	(5,000)
Total expenditures and other financing uses	<u>\$ -</u>	<u>\$ 68,452</u>	<u>\$ 68,452</u>	<u>\$ 3,670,586</u>	<u>\$ (3,602,134)</u>

City of Raleigh

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
STORMWATER UTILITY FUNDS
For the Fiscal Year Ended June 30, 2003**

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis	
(Stormwater utility operating fund)	\$ 5,647,712
Total current year expenditures and other financing sources - modified accrual basis	
(Stormwater utility operating fund)	(4,009,026)
Total current year revenues and other financing sources - modified accrual basis	
(Stormwater utility capital projects fund)	3,647,040
Total current year expenditures and other financing sources - modified accrual basis	
(Stormwater utility capital projects fund)	<u>(68,452)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	5,217,274
Adjustments to full accrual basis:	
Capital outlay	33,696
Non cash transfer, earned vacation pay liability	<u>(78,207)</u>
Changes in net assets per statement of revenues, expenses, and changes in fund net assets	<u><u>\$ 5,172,763</u></u>



CITY OF RALEIGH, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for centralized services provided on a cost-reimbursement basis. The City maintains six internal service funds for its print shop, risk management, health benefit, equipment replacement programs, and central garage operation.

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INTERNAL SERVICE FUNDS

PRINT SERVICES FUND - The Print Services Fund accounts for the operations of the City's print shop.

RISK MANAGEMENT FUND - The Risk Management Fund accounts for risk management activities of the City, including premiums, claims expenses and loss reserves.

EMPLOYEE'S HEALTH BENEFITS FUND - The Employee's Health Benefits Fund accounts for the City and employees contributions to a medical trust and its related costs, including claims and operating expenses.

GOVERNMENTAL EQUIPMENT REPLACEMENT FUND - The Governmental Equipment Replacement Fund accounts for the activities related to managing the equipment replacement program for governmental activities.

PUBLIC UTILITIES EQUIPMENT REPLACEMENT FUND - The Public Utilities Equipment Replacement Fund accounts for the activities related to managing the City's equipment replacement program for the City's public utilities.

VEHICLE FLEET SERVICES FUND – The Vehicle Fleet Services Fund is a new fund created in FY03 to account for the activities related to the City's central garage operation.

City of Raleigh

COMBINING STATEMENT OF NET ASSETS

INTERNAL SERVICE FUNDS

June 30, 2003

	Print Services Fund	Risk Management Fund	Employee's Health Benefits Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 31,847	\$ 7,825,493	\$ 4,049,169
Customer receivables, net of allowance	4,521	-	-
Accrued interest receivable	47	7,659	-
Sales tax receivable	33,880	164	-
Due from other funds	-	-	-
Inventories	12,713	-	-
Insurance deposit	-	133,500	-
Deferred charges	-	-	-
Total current assets	83,008	7,966,816	4,049,169
Noncurrent assets:			
Restricted cash and cash equivalents	-	-	-
Capital assets:			
Buildings and machinery	-	-	-
Equipment	105,699	-	-
Less accumulated depreciation	(77,076)	-	-
Total noncurrent assets	28,623	-	-
Total assets	111,631	7,966,816	4,049,169
LIABILITIES			
Current liabilities:			
Accounts payable	38,915	21,214	-
Arbitrage rebate payable	-	-	-
Accrued salaries and employee payroll taxes	326	-	-
Accrued interest payable	-	-	-
Claims payable and other liabilities	-	8,847,756	2,587,321
Bonds, notes and loans payable	-	-	-
Unamortized premium (discount)	-	-	-
Total current liabilities	39,241	8,868,970	2,587,321
Noncurrent liabilities			
Bonds, notes and loans payable	-	-	-
Unamortized premium (discount)	-	-	-
Earned vacation pay	9,105	-	-
Total noncurrent liabilities	9,105	-	-
Total liabilities	48,346	8,868,970	2,587,321
NET ASSETS			
Invested in capital assets, net of related debt	28,623	-	-
Unrestricted	34,662	(902,154)	1,461,848
Total net assets	\$ 63,285	\$ (902,154)	\$ 1,461,848

Governmental Equipment Replacement Fund	Public Utilities Equipment Replacement Fund	Vehicle Fleet Services Fund	Total June 30, 2003
\$ 4,673,136	\$ 2,263,520	\$ 150,653	\$ 18,993,818
-	-	-	4,521
4,684	2,277	287	14,954
41,664	30,787	135,851	242,346
18,783	7,530	-	26,313
-	-	541,406	554,119
-	-	-	133,500
38,084	-	-	38,084
<u>4,776,351</u>	<u>2,304,114</u>	<u>828,197</u>	<u>20,007,655</u>
11,020,649	4,261,084	-	15,281,733
-	-	230,912	230,912
27,712,369	6,683,798	791,740	35,293,606
<u>(14,952,639)</u>	<u>(3,146,336)</u>	<u>(657,388)</u>	<u>(18,833,439)</u>
<u>23,780,379</u>	<u>7,798,546</u>	<u>365,264</u>	<u>31,972,812</u>
<u>28,556,730</u>	<u>10,102,660</u>	<u>1,193,461</u>	<u>51,980,467</u>
437,093	258,812	245,178	1,001,212
228,386	75,395	-	303,781
-	-	10,033	10,359
41,484	7,605	-	49,089
422	13,083	401	11,448,983
6,296,851	1,618,150	-	7,915,001
204,366	62,205	-	266,571
<u>7,208,602</u>	<u>2,035,250</u>	<u>255,612</u>	<u>20,994,996</u>
14,156,157	4,328,842	-	18,484,999
478,087	171,742	-	649,829
-	-	210,122	219,227
<u>14,634,244</u>	<u>4,500,584</u>	<u>210,122</u>	<u>19,354,055</u>
<u>21,842,846</u>	<u>6,535,834</u>	<u>465,734</u>	<u>40,349,051</u>
2,644,918	562,545	365,264	3,601,350
4,068,966	3,004,281	362,463	8,030,066
<u>\$ 6,713,884</u>	<u>\$ 3,566,826</u>	<u>\$ 727,727</u>	<u>\$ 11,631,416</u>

City of Raleigh

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2003**

	Print Services Fund	Risk Management Fund	Employee's Health Benefits Fund
OPERATING REVENUES			
Charges for services - internal	\$ 672,801	\$ 3,048,500	\$ 19,343,527
Other charges	-	39,253	-
Total operating revenues	672,801	3,087,753	19,343,527
OPERATING EXPENSES			
Administration	94,633	159,348	1,894,659
Materials, services and supplies	639,978	-	-
Claims	-	6,393,553	14,111,488
Premiums	-	848,422	-
Depreciation	8,187	-	-
Other	1,302	12,900	-
Total operating expenses	744,100	7,414,223	16,006,147
Operating income (loss)	(71,299)	(4,326,470)	3,337,380
NONOPERATING REVENUES (EXPENSES)			
Interest on investments	-	144,020	24,752
Interest expense	-	-	-
Miscellaneous expense	-	-	-
Total nonoperating revenue (expense)	-	144,020	24,752
Income (loss) before transfers	(71,299)	(4,182,450)	3,362,132
Transfers in	-	-	-
Change in net assets	(71,299)	(4,182,450)	3,362,132
Total net assets, beginning of year	134,584	3,280,296	(1,900,284)
Total net assets, end of year	\$ 63,285	\$ (902,154)	\$ 1,461,848

Governmental Equipment Replacement Fund	Public Utilities Equipment Replacement Fund	Vehicle Fleet Services Fund	Total June 30, 2003
\$ 6,555,075	\$ 1,777,922	\$ 7,594,093	\$ 38,991,918
30,729	61,626	-	131,608
6,585,804	1,839,548	7,594,093	39,123,526
-	-	2,566,525	4,715,165
-	-	5,003,209	5,643,187
-	-	-	20,505,041
-	-	-	848,422
4,858,283	1,075,036	81,250	6,022,756
2,638	-	-	16,840
4,860,921	1,075,036	7,650,984	37,751,411
1,724,883	764,512	(56,891)	1,372,115
206,314	68,204	6,970	450,260
(499,282)	(86,300)	-	(585,582)
(131,312)	-	-	(131,312)
(424,280)	(18,096)	6,970	(266,634)
1,300,603	746,416	(49,921)	1,105,481
16,109	64,196	777,648	857,953
1,316,712	810,612	727,727	1,963,434
5,397,172	2,756,214	-	9,667,982
\$ 6,713,884	\$ 3,566,826	\$ 727,727	\$ 11,631,416

City of Raleigh

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

For the Fiscal Year Ended June 30, 2003

	Print Services Fund	Risk Management Fund	Employee's Health Benefits Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 672,587	\$ 3,087,753	\$ 19,343,527
Net sales tax received (paid)	(945)	24	-
Payments to employees	(93,652)	-	(1,894,659)
Payments to suppliers and service providers	(633,208)	(236,984)	-
Internal activity - payments to other funds	-	-	(114,742)
Claims paid	-	(3,401,296)	(14,098,061)
Premiums paid	-	(848,422)	-
Other receipts (payments)	-	-	-
Net cash provided by (used in) operating activities	<u>(55,218)</u>	<u>(1,398,925)</u>	<u>3,236,065</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Insurance deposits	-	(8,500)	-
Operating subsidies and transfers from other funds	-	-	-
Other noncapital financing receipts (payments)	-	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(8,500)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase and construction of capital assets	-	-	-
Proceeds from capital debt	-	-	-
Principal paid on capital debt	-	-	-
Interest paid on capital debt	-	-	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	-	182,515	24,752
Net cash provided (used) in investing activities	<u>-</u>	<u>182,515</u>	<u>24,752</u>
Net increase in cash and cash equivalents/investments	<u>(55,218)</u>	<u>(1,224,910)</u>	<u>3,260,817</u>
Cash and cash equivalents/investments			
Beginning of year	87,065	9,050,403	788,352
End of year	<u>\$ 31,847</u>	<u>\$ 7,825,493</u>	<u>\$ 4,049,169</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (71,299)	\$ (4,326,470)	\$ 3,337,380
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	8,187	-	-
Change in assets and liabilities:			
Operating receivables	193	24	-
Sales tax receivable	(945)	-	-
Inventories	287	-	-
Accounts payable - operating accounts	7,704	2,927,521	13,427
Due to other funds	-	-	(114,742)
Earned vacation pay	655	-	-
Total adjustments	<u>16,081</u>	<u>2,927,545</u>	<u>(101,315)</u>
Net cash provided by (used in) operating activities	<u>\$ (55,218)</u>	<u>\$ (1,398,925)</u>	<u>\$ 3,236,065</u>
Noncash investing, capital, and financing activities:			
Acquisition and construction of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net transfer of assets and liabilities from other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Governmental Equipment Replacement Fund	Public Utilities Equipment Replacement Fund	Vehicle Fleet Services Fund	Total
\$ 6,555,075	\$ 1,777,922	\$ 7,594,093	\$ 39,030,957
(7,894)	(20,457)	(135,851)	(165,123)
-	-	(2,565,362)	(4,553,673)
-	-	(4,803,074)	(5,673,266)
-	-	-	(114,742)
-	-	-	(17,499,357)
-	-	-	(848,422)
28,513	74,709	-	103,222
<u>6,575,694</u>	<u>1,832,174</u>	<u>89,806</u>	<u>10,279,596</u>
-	-	-	(8,500)
16,109	64,196	63,652	143,957
(131,312)	-	-	(131,312)
<u>(115,203)</u>	<u>64,196</u>	<u>63,652</u>	<u>4,145</u>
(2,523,636)	(885,388)	(9,488)	(3,418,512)
10,497,413	4,200,729	-	14,698,142
(4,919,089)	(1,115,912)	-	(6,035,001)
(723,363)	(160,532)	-	(883,895)
<u>2,331,325</u>	<u>2,038,897</u>	<u>(9,488)</u>	<u>4,360,734</u>
208,559	73,836	6,683	496,345
<u>208,559</u>	<u>73,836</u>	<u>6,683</u>	<u>496,345</u>
9,000,375	4,009,103	150,653	15,140,820
6,693,410	2,515,501	-	19,134,731
<u>\$ 15,693,785</u>	<u>\$ 6,524,604</u>	<u>\$ 150,653</u>	<u>\$ 34,275,551</u>
\$ 1,724,883	\$ 764,512	\$ (56,891)	\$ 1,372,115
4,858,283	1,075,036	81,250	6,022,756
(7,894)	(20,457)	(135,851)	(163,985)
-	-	-	(945)
-	-	(45,444)	(45,157)
422	13,083	255,612	3,217,769
-	-	-	(114,742)
-	-	(8,870)	(8,215)
<u>4,850,811</u>	<u>1,067,662</u>	<u>146,697</u>	<u>8,907,481</u>
<u>\$ 6,575,694</u>	<u>\$ 1,832,174</u>	<u>\$ 89,806</u>	<u>\$ 10,279,596</u>
\$ 432,572	\$ 187,266	\$ -	\$ 619,838
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 713,996</u>	<u>\$ 713,996</u>



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FIDUCIARY FUNDS

The *Fiduciary Funds* are used to account for resources received and held by the City as the trustee or for which the City acts as agent. These funds are expended or invested in accordance with agreements or applicable prescribed procedures.

The City's fiduciary funds include two pension trust funds and two agency funds which account for activities of the City's general supplemental retirement plan, the law enforcement officers' special separation allowance, the county-wide room occupancy tax, and the CIAA Tournament and Aggies/Eagles Classic planning activities.

F I D U C I A R Y F U N D S



FIDUCIARY FUNDS

Pension Trust Funds:

SUPPLEMENTAL MONEY PURCHASE PENSION PLAN FUND - The Supplemental Money Purchase Pension Plan Fund accounts for the City's contributions to the City of Raleigh Money Purchase Pension Plan, a Section 401a plan established to provide supplemental retirement benefits to eligible general government employees. Plan assets are held by the City through a third party in a fiduciary capacity.

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE FUND - The Law Enforcement Officers' Special Separation Allowance Fund accounts for the City's contributions to a defined benefit plan provided to City law enforcement officers. The City is administrator of the plan and holds all plan assets.

Agency Funds:

OCCUPANCY TAX FUND - The Occupancy Tax Fund accounts for the collection of the county-wide six percent room occupancy tax and the monthly transmittal of the funds to Wake County.

CIAA STEERING COMMITTEE FUND - The CIAA Steering Committee Fund accounts for the fundraising and promotional activities of the CIAA Tournament Steering Committee and the Capital Area Sports Foundation.

City of Raleigh

**COMBINING STATEMENT OF NET ASSETS
PENSION TRUST FUNDS
June 30, 2003**

	Supplemental Money Purchase Pension Plan	Law Enforcement Officers' Special Separation Allowance	Total June 30, 2003
ASSETS			
Cash and cash equivalents	\$ 11,811,517	\$ 5,002,389	\$ 16,813,906
Accrued interest receivable	-	5,048	5,048
Total assets	11,811,517	5,007,437	16,818,954
NET ASSETS			
Held in trust for:			
Employees' retirement benefits	\$ 11,811,517	\$ 5,007,437	\$ 16,818,954

City of Raleigh

**COMBINING STATEMENT OF CHANGES
IN PLAN NET ASSETS
PENSION TRUST FUNDS
For the Fiscal Year Ended June 30, 2003**

	Supplemental Money Purchase Pension Plan	Law Enforcement Officers' Special Separation Allowance	Total June 30, 2003
ADDITIONS			
Employer contributions	\$ 1,768,887	\$ 1,658,543	\$ 3,427,430
Investment earnings (losses)	322,028	84,598	406,626
Investment expense	(16,875)	-	(16,875)
Total additions	<u>2,074,040</u>	<u>1,743,141</u>	<u>3,817,181</u>
DEDUCTIONS			
Benefits	<u>466,865</u>	<u>1,600,686</u>	<u>2,067,551</u>
Total deductions	<u>466,865</u>	<u>1,600,686</u>	<u>2,067,551</u>
Change in net assets restricted for:			
Employees' retirement benefits	1,607,175	142,455	1,749,630
Net assets, beginning of year	<u>10,204,342</u>	<u>4,864,982</u>	<u>15,069,324</u>
Net assets, end of year	<u>\$ 11,811,517</u>	<u>\$ 5,007,437</u>	<u>\$ 16,818,954</u>

City of Raleigh

**COMBINING STATEMENT OF NET ASSETS
AGENCY FUNDS
June 30, 2003**

	Occupancy Tax	CIAA Steering Committee	Total June 30, 2003
Assets			
Cash and cash equivalents	\$ -	\$ 9,043	\$ 9,043
Due from other governmental agencies	<u>177</u>	<u>-</u>	<u>177</u>
Total assets	<u><u>\$ 177</u></u>	<u><u>\$ 9,043</u></u>	<u><u>\$ 9,220</u></u>
Liabilities			
Due to other agencies	\$ -	\$ 2,575	\$ 2,575
Accounts payable	<u>177</u>	<u>6,468</u>	<u>6,645</u>
Total liabilities	<u><u>\$ 177</u></u>	<u><u>\$ 9,043</u></u>	<u><u>\$ 9,220</u></u>

City of Raleigh

**COMBINING STATEMENT OF
IN ASSETS AND LIABILITIES
AGENCY FUNDS**

For the Fiscal Year Ended June 30, 2003

	Balance June 30, 2002	Additions	Deductions	Balance June 30, 2003
<u>OCCUPANCY TAX FUND</u>				
ASSETS				
Cash and cash equivalents	\$ 77,815	\$ 10,129,330	\$ 10,207,145	\$ -
Accrued interest receivable	526	-	526	-
Due from other governmental agencies	-	177	-	177
	<u>\$ 78,341</u>	<u>\$ 10,129,507</u>	<u>\$ 10,207,671</u>	<u>\$ 177</u>
LIABILITIES				
Accounts payable	\$ -	\$ 177	\$ -	\$ 177
Due to other governmental agencies	76,060	10,129,330	10,205,390	-
Due to other funds	2,281	-	2,281	-
	<u>\$ 78,341</u>	<u>\$ 10,129,507</u>	<u>\$ 10,207,671</u>	<u>\$ 177</u>
<u>CIAA STEERING COMMITTEE FUND</u>				
ASSETS				
Cash and cash equivalents	<u>\$ 27,629</u>	<u>\$ 1,037,325</u>	<u>\$ 1,055,911</u>	<u>\$ 9,043</u>
LIABILITIES				
Due to other agencies	\$ 1,151	\$ 1,037,325	\$ 1,035,901	\$ 2,575
Accounts payable	26,478	-	20,010	6,468
	<u>\$ 27,629</u>	<u>\$ 1,037,325</u>	<u>\$ 1,055,911</u>	<u>\$ 9,043</u>
<u>TOTAL - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$ 105,444	\$ 11,166,655	\$ 11,263,056	\$ 9,043
Accrued interest receivable	526	-	526	-
Due from other governmental agencies	-	177	-	177
	<u>\$ 105,970</u>	<u>\$ 11,166,832</u>	<u>\$ 11,263,582</u>	<u>\$ 9,220</u>
LIABILITIES				
Due to other governmental agencies	\$ 76,060	\$ 10,129,330	\$ 10,205,390	\$ -
Due to other funds	2,281	-	2,281	-
Due to other agencies	1,151	1,037,325	1,035,901	2,575
Accounts payable	26,478	177	20,010	6,645
	<u>\$ 105,970</u>	<u>\$ 11,166,832</u>	<u>\$ 11,263,582</u>	<u>\$ 9,220</u>



CITY OF RALEIGH, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

**CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS**

The following schedules present the *Capital Assets Used in the Operation of Governmental Funds* by source, by function and activity and the changes by function and activity.

CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS



**CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS**



City of Raleigh

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY SOURCE As of June 30, 2003

Capital assets:	
Land	\$ 102,980,301
Buildings and machinery	114,717,036
Streets & sidewalks	440,497,466
Equipment	36,461,021
Furniture & fixtures	2,447,459
Improvements - general and parks	148,790,683
Construction in progress	<u>10,164,480</u>
Total	<u><u>\$ 856,058,446</u></u>
Investment in capital assets from:	
General revenue	\$ 192,957,667
State revenue	55,528,933
Federal grants	12,759,076
General obligation bonds	237,568,094
Donations and participation	17,221,660
Contributed property	156,752,925
Amounts prior to 1987 for which source is unknown	<u>183,270,091</u>
Total	<u><u>\$ 856,058,446</u></u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in certain internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

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City of Raleigh

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY FUNCTION AND ACTIVITY For the Fiscal Year Ended June 30, 2003

	LAND	BUILDINGS	STREETS AND SIDEWALKS
General government:			
City manager	\$ -	\$ -	\$ -
Personnel department	-	-	-
Administrative services department	-	-	-
Finance department	-	-	-
Information services department	-	-	-
Total general government	-	-	-
Community development services:			
Community development department	10,371,641	107,755	47,838
Central engineering department	2,713,319	-	-
Planning department	-	-	-
Transportation department	35,160,289	19,374,451	439,634,408
Inspections department	-	-	-
Community services department	-	-	-
Total community development services	48,245,249	19,482,206	439,682,246
Public safety:			
Emergency communications center	-	-	-
Police department	-	850,509	-
Fire department	523,396	13,552,060	-
Total public safety	523,396	14,402,569	-
Solid waste services	2,772,456	15,331	-
Leisure services:			
Convention Center and Memorial Auditorium	9,142,131	37,071,368	-
Walnut Creek Amphitheater	1,250,047	13,420,210	-
Parks and recreation department	41,047,022	30,325,352	815,220
Visitors and convention bureau	-	-	-
Total leisure services	51,439,200	80,816,930	815,220
Total governmental funds capital assets	\$ 102,980,301	\$ 114,717,036	\$ 440,497,466

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in certain internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

EQUIPMENT	FURNITURE AND FIXTURES	IMPROVEMENTS	CONSTRUCTION IN PROGRESS	TOTAL
\$ 45,249	\$ -	\$ -	\$ -	\$ 45,249
30,571	4,022	3,799	-	38,392
304,664	2,093	252,799	25,766	585,322
1,169,251	28,064	7,282	-	1,204,597
1,109,509	31,295	916,755	130,592	2,188,151
<u>2,659,244</u>	<u>65,474</u>	<u>1,180,635</u>	<u>156,358</u>	<u>4,061,711</u>
20,906	6,469	1,604,181	-	12,158,790
623,623	-	3,585,935	112,430	7,035,307
-	15,250	-	-	15,250
5,526,540	-	25,501,810	8,980,836	534,178,334
783,802	67,494	-	-	851,296
7,051	-	1,267	-	8,318
<u>6,961,922</u>	<u>89,213</u>	<u>30,693,193</u>	<u>9,093,266</u>	<u>554,247,295</u>
1,139,042	305,918	426,764	77,429	1,949,153
7,080,885	56,749	502,108	120,408	8,610,659
8,097,254	-	1,189,254	55,350	23,417,314
<u>16,317,181</u>	<u>362,667</u>	<u>2,118,126</u>	<u>253,187</u>	<u>33,977,126</u>
4,270,806	-	788,145	-	7,846,738
1,247,221	1,641,247	46,393,208	9,542	95,504,717
238,357	-	237,045	-	15,145,659
3,701,596	38,673	67,380,331	652,127	143,960,321
1,064,694	250,185	-	-	1,314,879
<u>6,251,868</u>	<u>1,930,105</u>	<u>114,010,584</u>	<u>661,669</u>	<u>255,925,576</u>
<u>\$ 36,461,021</u>	<u>\$ 2,447,459</u>	<u>\$ 148,790,683</u>	<u>\$ 10,164,480</u>	<u>\$ 856,058,446</u>

City of Raleigh

SCHEDULE OF CHANGES IN CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS BY FUNCTION AND ACTIVITY For the Fiscal Year Ended June 30, 2003

	BALANCE JUNE 30, 2002	ADDITIONS	TRANSFERS	DEDUCTIONS	BALANCE JUNE 30, 2003
General government:					
City attorney	\$ 5,436	\$ -	\$ -	\$ 5,436	\$ -
City manager	45,249	-	-	-	45,249
Public affairs	-	-	-	-	-
Arts office	-	-	-	-	-
Personnel department	30,467	7,925	-	-	38,392
Administrative services department	694,050	132,656	(230,912)	36,238	559,556
Finance department	1,217,592	-	-	12,995	1,204,597
Information services department	2,034,048	23,511	-	-	2,057,559
Total general government	4,026,842	164,092	(230,912)	54,669	3,905,353
Community development services:					
Community development department	12,171,357	32,983	-	45,550	12,158,790
Central engineering department	5,797,006	664,252	461,619	-	6,922,877
Planning department	15,250	-	-	-	15,250
Transportation department	483,595,050	31,558,583	10,043,865	-	525,197,498
Inspections department	851,296	-	-	-	851,296
Community services department	8,318	-	-	-	8,318
Total community development services	502,438,277	32,255,818	10,505,484	45,550	545,154,029
Public safety:					
Emergency communications	1,779,802	35,822	56,100	-	1,871,724
Police department	9,249,266	300,765	-	1,059,780	8,490,251
Fire department	18,448,456	4,274,118	706,692	67,302	23,361,964
Total public safety	29,477,524	4,610,705	762,792	1,127,082	33,723,939
Solid waste services:	10,353,704	44,733	-	2,551,699	7,846,738
Leisure services:					
Convention Center and Memorial Auditorium	95,283,749	211,426	-	-	95,495,175
Walnut Creek Amphitheater	15,145,659	-	-	-	15,145,659
Parks and recreation department	131,439,474	7,888,768	4,013,152	33,200	143,308,194
Visitors and convention bureau	1,314,879	-	-	-	1,314,879
Total leisure services	243,183,761	8,100,194	4,013,152	33,200	255,263,907
Construction in progress	16,877,705	9,344,606	(16,057,831)	-	10,164,480
Total capital assets	\$ 806,357,813	\$ 54,520,148	\$ (1,007,315)	\$ 3,812,200	\$ 856,058,446

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in certain internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.



CITY OF RALEIGH, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

OTHER SCHEDULES

The ***Other Schedules*** represent various financial schedules of the City. Included are a schedule of long-term obligation maturities covering all fund types and detailed schedules of general, enterprise, and internal service long-term obligations.



OTHER SCHEDULES



City of Raleigh

SCHEDULE OF LONG-TERM OBLIGATION MATURITIES AND DEBT SERVICE REQUIREMENTS June 30, 2003

Maturities on all long-term obligations are:

		Enterprise					
		Water and Sewer		Parking Facilities		Other Obligations	
<u>General Obligation Bonded Debt:</u>							
Fiscal Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest	
2004	\$ 3,360,000	\$ 1,268,990	\$ 785,000	\$ 426,413	\$ -	\$ -	
2005	3,320,000	1,125,078	775,000	391,250	-	-	
2006	3,285,000	968,573	770,000	353,700	-	-	
2007	3,190,000	813,277	770,000	316,400	-	-	
2008	2,730,000	655,980	680,000	279,100	-	-	
2009-2013	7,385,000	1,752,142	3,225,000	934,750	-	-	
2014-2018	2,795,000	296,338	1,870,000	158,100	-	-	
2019-2021	-	-	-	-	-	-	
Total General Obligation Bonded Debt	26,065,000	6,880,378	8,875,000	2,859,713	-	-	
<u>Revenue Bonds:</u>							
2004	2,235,000	3,592,931	-	-	-	-	
2005	2,325,000	3,499,706	-	-	-	-	
2006	2,420,000	3,401,043	-	-	-	-	
2007	2,535,000	3,290,692	-	-	-	-	
2008	2,660,000	3,170,360	-	-	-	-	
2009-2013	15,235,000	13,902,668	-	-	-	-	
2014-2018	19,335,000	9,791,050	-	-	-	-	
2019-2023	21,985,000	4,449,800	-	-	-	-	
2024-2026	5,765,000	483,551	-	-	-	-	
Total Revenue Bonded Debt	74,495,000	45,581,801	-	-	-	-	
<u>Other Long-Term Obligations:</u>							
Installment Financing Agreement:							
2004	1,374,451	545,919	-	-	-	-	
2005	1,374,451	500,992	-	-	-	-	
2006	1,374,451	455,140	-	-	-	-	
2007	1,374,451	410,066	-	-	-	-	
2008	1,374,451	365,120	-	-	-	-	
2009-2013	5,749,455	1,158,056	-	-	-	-	
2014-2018	3,565,252	337,730	-	-	-	-	
2019-2020	330,000	12,870	-	-	-	-	
	16,516,962	3,785,893	-	-	-	-	

General Governmental		Internal Service		Total	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 10,640,000	\$ 6,228,322	\$ -	\$ -	\$ 14,785,000	\$ 7,923,725
10,620,000	5,793,735	-	-	14,715,000	7,310,063
10,505,000	5,342,077	-	-	14,560,000	6,664,350
10,235,000	4,893,941	-	-	14,195,000	6,023,618
10,215,000	4,427,367	-	-	13,625,000	5,362,447
43,155,000	15,526,842	-	-	53,765,000	18,213,734
32,910,000	6,646,944	-	-	37,575,000	7,101,382
10,600,000	799,950	-	-	10,600,000	799,950
138,880,000	49,659,178	-	-	173,820,000	59,399,269
-	-	-	-	2,235,000	3,592,931
-	-	-	-	2,325,000	3,499,706
-	-	-	-	2,420,000	3,401,043
-	-	-	-	2,535,000	3,290,692
-	-	-	-	2,660,000	3,170,360
-	-	-	-	15,235,000	13,902,668
-	-	-	-	19,335,000	9,791,050
-	-	-	-	21,985,000	4,449,800
-	-	-	-	5,765,000	483,551
-	-	-	-	74,495,000	45,581,801
469,706	514,861	7,915,000	1,045,068	9,759,157	2,105,848
500,249	484,319	4,750,000	752,038	6,624,700	1,737,349
532,777	451,791	8,375,000	545,000	10,282,228	1,451,931
567,420	417,148	5,360,000	241,875	7,301,871	1,069,089
604,316	380,252	-	-	1,978,767	745,372
3,664,667	1,258,173	-	-	9,414,122	2,416,229
1,821,150	147,985	-	-	5,386,402	485,715
-	-	-	-	330,000	12,870
8,160,285	3,654,529	26,400,000	2,583,981	51,077,247	10,024,403

continued

City of Raleigh

SCHEDULE OF LONG-TERM OBLIGATION MATURITIES AND DEBT SERVICE REQUIREMENTS June 30, 2003

Maturities on all long-term obligations are:

	Enterprise					
	Water and Sewer		Parking Facilities		Other Obligations	
<u>Other Long-Term Obligations:</u>						
(Continued):	Principal	Interest	Principal	Interest	Principal	Interest
Other Installment Obligations:						
2004	\$ 318,147	\$ 46,477	\$ 1,014,004	\$ 739,563	\$ -	\$ -
2005	332,941	31,683	1,038,624	684,303	-	-
2006	348,422	16,202	1,058,498	627,880	-	-
2007	-	-	1,088,641	569,939	-	-
2008	-	-	1,114,066	510,324	-	-
2009-2013	-	-	4,835,000	1,682,150	-	-
2014-2018	-	-	2,750,000	749,880	-	-
2019-2021	-	-	1,635,000	122,445	-	-
	<u>999,510</u>	<u>94,362</u>	<u>14,533,833</u>	<u>5,686,484</u>	<u>-</u>	<u>-</u>
Other:						
Reimbursement Contracts	49,115	- (1)	-	-	-	-
Earned Vacation Pay	1,045,988	- (2)	7,865	-	(2) 128,758	- (2)
Landfill Closure and Postclosure Costs	-	-	-	-	-	-
	<u>1,095,103</u>	<u>-</u>	<u>7,865</u>	<u>-</u>	<u>128,758</u>	<u>-</u>
Total Other Long-Term Obligations	<u>18,611,575</u>	<u>3,880,255</u>	<u>14,541,698</u>	<u>5,686,484</u>	<u>128,758</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 119,171,575</u>	<u>\$ 56,342,434</u>	<u>\$ 23,416,698</u>	<u>\$ 8,546,197</u>	<u>\$ 128,758</u>	<u>\$ -</u>

Notes:

- (1) Interest to be paid in future periods not determinable in advance.
- (2) Interest not applicable.

General Governmental		Internal Service		Total	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 811,629	\$ 145,321	\$ -	\$ -	\$ 2,143,780	\$ 931,361
820,572	103,358	-	-	2,192,137	819,344
331,805	73,328	-	-	1,738,725	717,410
328,508	60,656	-	-	1,417,149	630,595
25,971	47,224	-	-	1,140,037	557,548
197,621	168,356	-	-	5,032,621	1,850,506
97,040	12,754	-	-	2,847,040	762,634
-	-	-	-	1,635,000	122,445
2,613,146	610,997	-	-	18,146,489	6,391,843
3,143	- (1)	-	-	52,258	- (1)
11,769,769	- (2)	219,227	- (2)	13,171,607	- (2)
3,111,915	-	-	-	3,111,915	-
14,884,827	-	219,227	-	16,335,780	-
25,658,258	4,265,526	26,619,227	2,583,981	85,559,516	16,416,246
\$ 164,538,258	\$ 53,924,704	\$ 26,619,227	\$ 2,583,981	\$ 333,874,516	\$ 121,397,316

City of Raleigh

SCHEDULE OF GENERAL GOVERNMENTAL LONG-TERM OBLIGATIONS For the Fiscal Year Ended June 30, 2003

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Principal Balance June 30, 2002</u>	<u>Issued During Year</u>
<u>GENERAL OBLIGATION BONDS PAYABLE</u>				
Housing - Series 1991	6.00 - 6.50	12/1/91	\$ 1,500,000	\$ -
Housing - Series 1992B Taxable	8.20 - 8.25	4/1/92	1,250,000	-
G. O. Refunding 1993	4.80 - 5.00	5/1/93	14,580,000	-
Parks/Recreation-Series 1993	5.10 - 5.25	5/1/93	2,090,000	-
Housing-Series 1993	5.10 - 5.25	5/1/93	660,000	-
Street/Sidewalk - Series 1994	5.40	9/1/94	575,000	-
Housing, Series 1994B Taxable	7.75 - 8.00	9/1/94	2,125,000	-
Parks, Series 1996	5.20 - 5.30	6/1/96	21,190,000	-
Housing, Series 1996	5.40 - 5.75	6/1/96	1,610,000	-
Fire Station, Series 1996	5.20 - 5.30	6/1/96	1,515,000	-
Public Improvement Refunding, Series 1997	4.25 - 5.00	10/1/97	17,740,000	-
Housing, Series 1997	6.70	10/1/97	3,320,000	-
G. O. Refunding, Series 1998	3.60 - 4.20	12/1/98	5,685,000	-
Street Improvement, Series 1998	4.30 - 4.40	12/1/98	19,150,000	-
Public Improvement, Series 2002	4.00 - 5.00	6/1/02	9,700,000	-
Public Improvement, Series 2002A	3.00 - 4.50	12/1/02	-	2,900,000
Public Improvement, Series 2002B	3.00 - 4.50	12/1/02	-	43,000,000
Public Improvement Refunding, Series 2002C	2.00 - 4.00	12/1/02	-	14,905,000
Total General Obligation Bonded Debt			<u>102,690,000</u>	<u>60,805,000</u>
<u>OTHER GENERAL GOVERNMENTAL LONG-TERM OBLIGATIONS</u>				
Installment Financing Agreement			8,601,314	-
Other Installment Obligations			1,441,867	1,763,735
Reimbursement Contracts - Streets			3,493	-
Earned Vacation Pay			10,915,671 (1)	8,008,026
Landfill Closure and Postclosure Costs			<u>3,178,852</u>	<u>34,967</u>
Total Other General Governmental Long -Term Obligations			<u>24,141,197</u>	<u>9,806,728</u>
Total General Governmental Long -Term Obligations			<u>\$ 126,831,197</u>	<u>\$ 70,611,728</u>

Notes:

- (1) The ending balance has been restated to show breakout of Stormwater and Vehicle Fleet Services which are reflected in Other Enterprise Long-Term Obligations and Other Internal Service Long -Term Obligations, respectively.
- (2) The amount of vacation pay to be paid in any fiscal year cannot be determined. We have estimated the amount due for 2003-04 as the amount paid for 2002-03.
- (3) Includes \$14,760,000 for defeasance of bonds from sale of refunding bonds on November 19, 2002.

Payments During Fiscal 2002-03		Principal Balance June 30, 2003	Due Fiscal 2003-2004		
Principal	Interest		Principal	Interest	Total
\$ 150,000	\$ 95,250	\$ 1,350,000	\$ 150,000	\$ 86,250	\$ 236,250
100,000	102,675	1,150,000	100,000	94,475	194,475
14,580,000 (3)	416,315	-	-	-	-
2,090,000 (3)	58,805	-	-	-	-
660,000 (3)	18,570	-	-	-	-
275,000	31,050	300,000	300,000	16,200	316,200
150,000	166,725	1,975,000	200,000	155,100	355,100
1,500,000	1,108,745	19,690,000	1,500,000	1,030,745	2,530,745
115,000	89,182	1,495,000	115,000	82,972	197,972
105,000	79,275	1,410,000	105,000	73,815	178,815
2,570,000	847,925	15,170,000	2,640,000	738,700	3,378,700
150,000	222,440	3,170,000	150,000	212,390	362,390
285,000	227,310	5,400,000	305,000	217,050	522,050
950,000	829,400	18,200,000	950,000	788,550	1,738,550
300,000	438,950	9,400,000	300,000	426,950	726,950
-	-	2,900,000	100,000	114,500	214,500
-	-	43,000,000	1,225,000	1,710,688	2,935,688
635,000	82,094	14,270,000	2,500,000	479,862	2,979,862
24,615,000	4,814,711	138,880,000	10,640,000	6,228,247	16,868,247
441,029	543,539	8,160,285	469,707	514,861	984,568
592,456	102,543	2,613,146	811,629	145,321	956,950
350	56	3,143	559	126	685
7,153,928	-	11,769,769	7,153,928 (2)	-	7,153,928
101,904	-	3,111,915	-	-	-
8,289,667	646,138	25,658,258	8,435,823	660,308	9,096,131
<u>\$ 32,904,667</u>	<u>\$ 5,460,849</u>	<u>\$ 164,538,258</u>	<u>\$ 19,075,823</u>	<u>\$ 6,888,555</u>	<u>\$ 25,964,378</u>

City of Raleigh

SCHEDULE OF ENTERPRISE LONG-TERM OBLIGATIONS
For the Fiscal Year Ended June 30, 2003

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Principal Balance June 30, 2002</u>	<u>Issued During Year</u>
<u>WATER AND SEWER</u>				
<u>GENERAL OBLIGATION BONDS PAYABLE</u>				
Water Refunding 1993	4.80	5/1/93	\$ 235,000	\$ -
Sewer Refunding 1993	4.80 - 5.00	5/1/93	1,220,000	-
Sanitary Sewer-Series 1993	5.10 - 5.25	5/1/93	2,300,000	-
Water Series 1996	5.20 - 5.30	6/1/96	8,095,000	-
Sanitary Sewer Series 1996	5.20 - 5.30	6/1/96	4,830,000	-
Sanitary Sewer Refunding, Series 1997	4.25 - 5.00	10/1/97	13,020,000	-
Sanitary Sewer Refunding, Series 2002C	2.00 - 4.00	12/01/02	-	3,055,000
Total Water and Sewer General Obligation Debt			<u>29,700,000</u>	<u>3,055,000</u>
<u>REVENUE BONDS PAYABLE</u>				
Water/Sewer, Series 1996	4.40 - 5.25	12/01/96	33,250,000	-
Water/Sewer, Series 1999	4.00 - 4.75	1/1/99	21,150,000	-
Water/Sewer, Series 2001	3.70 - 5.25	1/1/01	22,240,000	-
Total Water and Sewer Revenue Debt			<u>76,640,000</u>	<u>-</u>
<u>OTHER WATER AND SEWER LONG TERM OBLIGATIONS</u>				
Installment Financing Agreement			17,758,753	94,060
Other Installment Obligations			-	999,510
Reimbursement Contracts - Water and Sewer Lines			52,448	2,429
Earned Vacation Pay			981,471	815,579
Total Other Water and Sewer Long -Term Obligations			<u>18,792,672</u>	<u>1,911,578</u>
Total Water and Sewer Long -Term Obligations			<u>125,132,672</u>	<u>4,966,578</u>
<u>PARKING FACILITIES FUND</u>				
Parking Facilities Refunding 1997	4.25 - 5.00	10/1/97	2,580,000	-
Parking Facilities Series 1997	4.70 - 5.00	10/1/97	7,070,000	-
Total Parking Facilities General Obligation Bonded Debt			<u>9,650,000</u>	<u>-</u>
<u>OTHER PARKING FACILITIES LONG-TERM OBLIGATIONS</u>				
Other Installment Obligations			15,562,082	-
Earned Vacation Pay			8,424	7,307
Total Other Parking Facilities Long -Term Obligations			<u>15,570,506</u>	<u>7,307</u>
Total Parking Facilities Long -Term Obligations			<u>25,220,506</u>	<u>7,307</u>
<u>OTHER ENTERPRISE LONG -TERM OBLIGATIONS</u>				
Mass Transit Earned Vacation Pay			35,303	21,246
Stormwater Earned Vacation Pay			78,207	82,879
Total Other Enterprise Long-Term Obligations			<u>113,510</u>	<u>104,125</u>
Total Enterprise Long-Term Obligations			<u>\$ 150,466,688</u>	<u>\$ 5,078,010</u>

NOTE:

(1) The amount of vacation pay to be paid in any fiscal year cannot be determined. We have estimated the amount due for 2003-04 as the amount paid for 2002-03.

(2) Includes \$3,005,000 for defeasance of bonds from sale of refunding bonds on November 19, 2002.

Payments During Fiscal 2002-03		Principal Balance June 30, 2003	Due Fiscal 2003-04		
Principal	Interest		Principal	Interest	Total
\$ 235,000	\$ 11,280	\$ -	\$ -	\$ -	\$ -
1,220,000 (2)	37,590	-	-	-	-
2,300,000 (2)	64,525	-	-	-	-
570,000	423,570	7,525,000	570,000	393,930	963,930
345,000	252,712	4,485,000	345,000	234,772	579,772
1,890,000	622,313	11,130,000	1,935,000	541,988	2,476,988
130,000	16,829	2,925,000	515,000	98,376	613,376
<u>6,690,000</u>	<u>1,428,819</u>	<u>26,065,000</u>	<u>3,365,000</u>	<u>1,269,066</u>	<u>4,634,066</u>
1,005,000	1,699,513	32,245,000	1,050,000	1,655,293	2,705,293
595,000	964,424	20,555,000	615,000	940,624	1,555,624
545,000	1,017,179	21,695,000	570,000	997,013	1,567,013
<u>2,145,000</u>	<u>3,681,116</u>	<u>74,495,000</u>	<u>2,235,000</u>	<u>3,592,930</u>	<u>5,827,930</u>
1,335,851	573,293	16,516,962	1,374,451	545,919	1,920,370
-	-	999,510	318,147	46,477	364,624
5,762	1,613	49,115	5,762	1,383	7,145
751,062	-	1,045,988	- (1)	-	-
<u>2,092,675</u>	<u>574,906</u>	<u>18,611,575</u>	<u>1,698,360</u>	<u>593,779</u>	<u>2,292,139</u>
<u>10,927,675</u>	<u>5,684,841</u>	<u>119,171,575</u>	<u>7,298,360</u>	<u>5,455,775</u>	<u>12,754,135</u>
375,000	123,301	2,205,000	385,000	107,363	492,363
400,000	337,850	6,670,000	400,000	319,050	719,050
<u>775,000</u>	<u>461,151</u>	<u>8,875,000</u>	<u>785,000</u>	<u>426,413</u>	<u>1,211,413</u>
1,028,249	794,501	14,533,833	1,014,004	739,563	1,753,567
7,866	-	7,865	7,866 (1)	-	7,866
<u>1,036,115</u>	<u>794,501</u>	<u>14,541,698</u>	<u>1,021,870</u>	<u>739,563</u>	<u>1,761,433</u>
<u>1,811,115</u>	<u>1,255,652</u>	<u>23,416,698</u>	<u>1,806,870</u>	<u>1,165,976</u>	<u>2,972,846</u>
14,583	-	41,966	14,583 (1)	-	-
74,294	-	86,792	74,294 (1)	-	-
<u>88,877</u>	<u>-</u>	<u>128,758</u>	<u>88,877</u>	<u>-</u>	<u>-</u>
<u>\$ 12,827,667</u>	<u>\$ 6,940,493</u>	<u>\$ 142,717,031</u>	<u>\$ 9,194,107</u>	<u>\$ 6,621,751</u>	<u>\$ 15,726,981</u>

City of Raleigh

SCHEDULE OF INTERNAL SERVICE LONG-TERM OBLIGATIONS
For the Fiscal Year Ended June 30, 2003

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Principal Balance June 30, 2002</u>	<u>Issued During Year</u>
<u>EQUIPMENT INTERNAL SERVICE</u>				
<u>LONG-TERM OBLIGATIONS PAYABLE</u>				
<u>CERTIFICATES OF PARTICIPATION</u>				
Equipment Acquisition Project, Series 1999	3.70 - 4.75%	2/1/99	\$ 6,620,000	\$ -
Equipment Acquisition Project, Series 2001	5.00	5/1/01	12,075,000	
Equipment Acquisition Project, Series 2003	5.00	4/1/03	-	13,740,000
Total Certificates of Participation			<u>18,695,000</u>	<u>13,740,000</u>
<u>OTHER INTERNAL SERVICE</u>				
<u>LONG-TERM OBLIGATIONS</u>				
Earned Vacation Pay - Print Shop			8,450	6,375
Earned Vacation Pay - Vehicle Fleet Services			<u>218,992</u>	<u>150,403</u>
Total Other Internal Service Long-Term Obligations			<u>227,442</u>	<u>156,778</u>
Total Internal Service Long-Term Obligations			<u>\$ 18,922,442</u>	<u>\$ 13,896,778</u>

(1) The amount of vacation pay to be paid in any fiscal year cannot be determined. We have estimated the amount due for 2003-04 as the amount paid for 2002-03.

<u>Payments During Fiscal 2002-03</u>		<u>Principal Balance June 30, 2003</u>	<u>Due Fiscal 2003-2004</u>		
<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 3,240,000	\$ 202,010	\$ 3,380,000	\$ 3,380,000	\$ 62,530	\$ 3,442,530
2,795,000	533,875	9,280,000	2,940,000	390,500	3,330,500
-	148,009	13,740,000	1,595,000	592,038	2,187,038
<u>6,035,000</u>	<u>883,894</u>	<u>26,400,000</u>	<u>7,915,000</u>	<u>1,045,068</u>	<u>8,960,068</u>
5,720	-	9,105	5,720 (1)	-	5,720
<u>159,273</u>	<u>-</u>	<u>210,122</u>	<u>159,273 (1)</u>	<u>-</u>	<u>159,273</u>
<u>164,993</u>	<u>-</u>	<u>219,227</u>	<u>164,993</u>	<u>-</u>	<u>164,993</u>
<u>\$ 6,199,993</u>	<u>\$ 883,894</u>	<u>\$ 26,619,227</u>	<u>\$ 8,079,993</u>	<u>\$ 1,045,068</u>	<u>\$ 9,125,061</u>



CITY OF RALEIGH, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

STATISTICAL DATA SECTION

The *Statistical Data Section* includes schedules illustrating ten-year financial trends as extracted from current and prior years' financial reports and other supplemental information relevant to the City. The statistical schedules reflect social and economic data, financial trends and the fiscal capacity of the City.



STATISTICAL DATA



City of Raleigh**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	<u>General Government</u>	<u>Community Development Services</u>	<u>Public Safety</u>	<u>Solid Waste Services</u>	<u>Leisure Services</u>
1994	\$ 19,328,657	\$ 13,652,967	\$ 38,960,112	\$ 18,216,235	\$ 16,641,571
1995	22,181,545	13,792,704	41,619,630	17,404,673	16,970,524
1996	21,701,934	14,167,569	43,388,108	15,665,908	16,982,862
1997	20,216,000	19,176,013	45,863,280	11,435,616	19,272,951
1998	20,538,153	20,658,941	48,247,344	11,904,960	21,236,612
1999	22,918,190	22,868,372	51,791,043	13,051,569	22,592,751
2000	18,985,829	43,927,047	70,352,893	14,824,339	27,339,358
2001	20,784,677	39,993,456	78,845,334	16,546,626	29,339,006
2002	21,467,743	37,531,139	84,400,320	17,337,397	31,979,123
2003	21,644,565	40,791,264	91,497,831	19,851,942	41,683,037

Notes:

Includes general and special revenue funds. Total general governmental expenditures, including general capital projects funds expenditures, are \$273,915,440. Administrative costs charged to water and sewer are netted as general governmental expenditures.

<u>Economic Development Programs</u>	<u>Capital Outlay</u>	<u>Other</u>	<u>Debt Service</u>	<u>Total</u>
\$ 5,971,137	\$ 2,694,430	\$ 8,007,420	\$ 10,014,820	\$ 133,487,349
4,983,575	4,945,475	9,117,108	12,814,525	143,829,759
5,713,480	3,519,683	9,632,728	13,546,770	144,319,042
4,703,696	5,394,032	11,309,649	15,369,248	152,740,485
6,306,902	9,072,095	13,111,538	15,115,850	166,192,395
7,318,542	8,386,231	19,014,798	16,574,892	184,516,388
2,924,159	3,966,482	915,153	17,851,456	201,086,716
3,129,912	4,163,264	105,154	16,020,825	208,928,254
2,314,517	863,664	185,766	15,984,039	212,063,708
3,592,462	298,088	58,507	16,427,251	235,844,947

City of Raleigh**GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

Fiscal Year Ended <u>June 30</u>	<u>Ad Valorem Taxes</u>	<u>Inter- governmental</u>	<u>Local Sales Tax</u>	<u>Occupancy and Prepared Food Taxes</u> (1)
1994	\$ 76,348,271	\$ 27,353,974	\$ 25,798,941	\$ 5,712,064
1995	73,379,634	29,912,567	28,581,353	6,262,027
1996	73,621,764	28,293,141	31,495,957	6,411,689
1997	76,774,058	37,723,969	34,202,089	7,656,827
1998	81,724,633	35,370,460	36,521,239	-
1999	83,734,150	34,703,909	39,303,692	-
2000	88,300,818	46,402,263	40,598,796	-
2001	96,360,232	41,135,536	42,521,655	-
2002	102,133,580	29,608,048	39,864,791	-
2003	107,415,558	45,295,922	42,938,291	-

Notes:

Includes general and special revenue funds. Total general governmental revenues, including general capital projects funds revenues, are \$254,666,803.

(1) Elimination of revenues reflects an accounting change resulting from enabling state legislation effective July 1, 1997.

<u>Licenses and Fees</u>	<u>Interest on Investments</u>	<u>Fines, Forfeits, and Penalties</u>	<u>Other</u>	<u>Total</u>
\$ 8,578,838	\$ 2,960,373	\$ 1,125,395	\$ 14,873,572	\$ 162,751,428
9,029,053	6,047,180	1,336,452	17,922,379	172,470,645
10,420,034	7,238,544	1,261,652	18,717,637	177,460,418
10,175,922	6,195,445	886,475	19,022,480	192,637,265
11,443,526	6,868,701	1,200,984	20,575,685	193,705,228
13,366,809	5,735,594	1,205,984	20,783,676	198,833,814
14,050,839	6,433,920	1,039,135	21,820,395	218,646,166
15,673,942	8,798,810	673,443	22,630,742	227,794,360
15,438,638	3,998,582	694,113	23,167,765	214,905,517
17,621,078	2,869,312	592,297	26,731,888	243,464,346

City of Raleigh

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30</u>	<u>Year of Levy</u>	<u>Gross Levy</u>	<u>Gross Collected Current</u>	<u>Percent Collected Current</u>	<u>Collected Prior Levies</u>	<u>Total Collected</u>	<u>Percent Total Collected to Current Levy</u>
1994	1993	\$ 78,150,735	\$ 76,537,372	97.94%	\$ 911,856	\$ 77,449,228	99.10%
1995	1994	74,406,900	72,913,205	97.99	1,333,142	74,246,347	99.78
1996	1995	74,331,409	72,780,759	97.91	1,179,305	73,960,064	99.50
1997	1996	77,914,252	76,050,012	97.61	1,379,623	77,429,635	99.38
1998	1997	82,601,696	80,681,394	97.68	1,535,949	82,217,343	99.53
1999	1998	84,575,694	82,599,104	97.66	1,688,929	84,288,033	99.66
2000	1999	89,412,222	87,244,673	97.58	1,678,845	88,923,518	99.45
2001	2000	98,015,562	95,868,328	97.81	1,830,027	97,698,355	99.68
2002	2001	103,396,486	101,218,246	97.89	1,807,735	103,025,981	99.64
2003	2002	109,098,511	106,644,754	97.75	1,781,368	108,426,122	99.38
						(1)	

Notes:

(1) Reconciliation to revenues collected:

Total collected as per above	\$ 108,426,122
Tax penalties collected	411,344
Rebates and deferred	<u>(1,421,908)</u>
Ad valorem taxes collected per general fund financial statements	<u>\$ 107,415,558</u>

City of Raleigh

ASSESSED VALUE OF ALL TAXABLE PROPERTY LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	<u>Real Property</u>	<u>Personal Property</u>	<u>Corporate Excess</u>	<u>Total</u>
1994	\$ 9,965,608,365	\$ 2,276,514,443	\$ 484,129,799	\$ 12,726,252,607
1995	10,089,010,167	2,356,274,039	455,511,391	12,900,795,597
1996	10,496,369,079	2,608,227,774	463,186,753	13,567,783,606
1997	10,991,596,569	3,022,687,489	421,726,911	14,436,010,969
1998	11,490,116,461	3,385,081,770	453,243,053	15,328,441,284
1999	12,002,015,510	3,638,218,459	428,245,202	16,068,479,171
2000	12,609,958,034	3,800,597,785	597,704,468	17,008,260,287
2001	20,745,733,139	4,161,172,981	722,269,639	25,629,175,759 *
2002	22,285,320,675	4,257,693,284	817,311,860	27,360,325,819
2003	23,556,432,188	4,441,009,363	784,992,492	28,782,434,043

Notes:

This schedule does not include valuations on property owned by the State of North Carolina, United States Government, charitable institutions, etc., not subject to taxation.

Assessed valuations are established at 100% of estimated market value for real property and 100% of actual value for personal property.

*Increase due to revaluation of property every eight years.

CITY OF RALEIGH

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

(PER \$100 OF ASSESSED VALUE)

LAST TEN FISCAL YEARS

Fiscal Year Ended <u>June 30</u>	<u>City Rate</u>	<u>Wake County Rate</u>	<u>Total</u>
1994	\$.6175	\$.7600	\$ 1.3775
1995	.5725	.7600	1.3325
1996	.5440	.6300	1.1740
1997	.5375	.6300	1.1675
1998	.5375	.6300	1.1675
1999	.5250	.6300	1.1550
2000	.5250	.7300	1.2550
2001 (1)	.3850	.5640	.9490
2002	.3850	.5640	.9490
2003	.3850	.5640	.9490

Notes:

(1) Tax rate decrease due to revaluation.

Other Tax Data:

Property taxes are listed and assessed as of January 1, and the collections are first budgeted for the fiscal year beginning July 1, next.

There is a State statutory tax rate limit of \$1.50 per hundred dollars valuation for operating expenses, but no limitation on the rate of tax which may be levied for debt service.

The City has no financial responsibility for any part of the public school system. The school budget is approved and funded by the Wake County Board of Commissioners with revenues derived from County, State and Federal governments.

City of Raleigh

COMPARISON OF CITY OF RALEIGH AND WAKE COUNTY ASSESSED VALUES LAST TEN FISCAL YEARS

Fiscal Year Ended <u>June 30</u>	<u>Assessed Value</u>		Ratio of City to County
	<u>City of Raleigh</u>	<u>Wake County</u>	
1994	\$ 12,726,252,607	\$ 29,288,817,583	43.45%
1995	12,900,795,597	30,205,217,044	42.71
1996	13,567,783,606	33,695,988,760	40.27
1997	14,436,010,969	34,337,422,702	42.04
1998	15,328,441,284	36,715,051,446	41.75
1999	16,068,479,171	41,132,691,825	39.06
2000	17,008,260,287	41,458,793,931	41.02
2001	25,629,175,759	59,525,494,337	43.06
2002	27,360,325,819	63,367,829,910	43.18
2003	28,782,434,043	66,454,852,090	43.31

City of Raleigh

ANALYSIS OF CURRENT TAX LEVY CITY - WIDE LEVY For the Fiscal Year Ended June 30, 2003

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 27,736,436,350	\$.3850	\$ 104,597,198	\$ 98,110,794	\$ 6,486,404
Registered motor vehicles taxed at prior year's rate	924,750,747	.3850	3,504,601	-	3,504,601
Total	<u>28,661,187,097</u>		<u>108,101,799</u>	<u>98,110,794</u>	<u>9,991,005</u>
Discoveries:					
Current year taxes	-	.3850	-	-	-
Prior years' taxes	107,501,591	(1)	464,901	458,363	6,538
Total	<u>107,501,591</u>		<u>464,901</u>	<u>458,363</u>	<u>6,538</u>
City billed	<u>13,745,355</u>	(2)	<u>13,686</u>	<u>13,686</u>	<u>-</u>
Total property valuation	<u>\$ 28,782,434,043</u>				
Deferred			321,347	321,347	-
Penalty			196,778	196,778	-
Rebates			<u>(959,470)</u>	<u>(674,236)</u>	<u>(285,234)</u>
Net levy			108,139,041	98,426,732	9,712,309
Uncollected taxes at June 30,2003			<u>(2,452,978)</u>	<u>(1,218,764)</u>	<u>(1,234,214)</u>
Current year's taxes collected			<u>\$ 105,686,063</u>	<u>\$ 97,207,968</u>	<u>\$ 8,478,095</u>
Current levy collection percentage			<u>97.73%</u>	<u>98.76%</u>	<u>87.29%</u>

Notes:

(1) Taxes levied on discovered properties of prior periods at tax rates applicable to those periods.

(2) Taxes on City billed accounts are based on a per month rate.

City of Raleigh

SCHEDULE OF AD VALOREM TAXES RECEIVABLE June 30, 2003

<u>Fiscal Year Ended June 30</u>	<u>Taxes Receivable June 30, 2002</u>	<u>Additions</u>	<u>Collections and Other Reductions</u>	<u>Taxes Receivable June 30, 2003 (1)</u>
1994 & Prior	\$ 751,904	\$ -	\$ 334,360	\$ 417,544
1995	219,547	-	7,384	212,163
1996	250,576	-	8,474	242,102
1997	315,877	-	17,916	297,961
1998	475,727	-	200,278	275,449
1999	497,679	-	195,734	301,945
2000	594,793	-	227,921	366,872
2001	740,898	-	368,723	372,175
2002	2,178,240	-	1,601,158	577,082
2003	<u>-</u>	<u>109,098,511</u>	<u>106,645,533</u>	<u>2,452,978</u>
 TOTALS	 <u>\$ 6,025,241</u>	 <u>\$ 109,098,511</u>	 <u>\$ 109,607,481</u>	 <u>\$ 5,516,271</u>

(2)

Notes:

(1) Ad valorem taxes receivable only; does not include vehicle tag fee receivable (\$1,639,717).

(2) Reconciliation to revenues collected:

Collections and other reductions per above	\$ 109,607,481
Tax penalties collected	411,344
Tax rebates	(1,421,908)
Taxes written off	<u>(1,181,359)</u>
Ad valorem taxes collected per general fund financial statements	<u>\$ 107,415,558</u>

City of Raleigh

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Population	Taxable Property Assessed Value	8% Debt Limit
1994	237,739	\$ 12,726,252,607	\$ 1,018,100,209
1995	243,345	12,900,795,597	1,032,063,648
1996	251,609	13,567,783,606	1,085,422,688
1997	266,035	14,436,010,969	1,154,880,878
1998	273,011	15,328,441,284	1,226,275,303
1999	280,132	16,068,479,171	1,285,478,334
2000	286,834	17,008,260,287	1,360,660,823
2001	294,843	25,629,175,759	2,050,334,061
2002	311,053	27,360,325,819	2,188,826,066
2003	316,979	28,782,434,034	2,302,594,723

Note:

Population data for 2003 is an estimate of the City's Department of Planning. The United States Bureau of Census established the 2000 population as 276,093.

- (1) This total includes all general obligation bonded debt. Gross and net per capita debt for governmental activities bonded debt at June 30, 2003 is as follows:

	<u>Gross</u>	<u>Net</u>
General Governmental Bonded Debt	<u>\$ 138,880,000</u>	<u>\$ 138,784,088</u>
Per Capita Bonded Debt	<u>\$ 438</u>	<u>\$ 438</u>

- (2) Represents gross bonded debt less allowable statutory deductions.

Gross Bonded Debt (1)	Net Bonded Debt (2)	Ratio of Net Bonded Debt to Taxable Property Assessed Value	Per Capita Bonded Debt	
			Gross	Net
\$ 143,830,000	\$ 125,383,182	1.0 %	\$ 605	\$ 527
140,585,000	116,635,000	1.0	578	479
178,345,000	155,552,072	1.2	709	618
165,320,000	146,135,332	1.0	621	549
167,125,000	150,721,154	1.0	612	552
175,705,000	161,510,684	1.0	627	577
161,015,000	148,659,070	0.9	561	518
146,415,000	135,390,452	0.5	497	459
142,040,000	132,374,118	0.5	457	435
173,820,000	165,323,532	0.6	548	522

City of Raleigh

STATEMENT OF LEGAL DEBT MARGIN June 30, 2003

Assessed valuation - June 30, 2003 \$ 28,782,434,034

Debt limit - eight (8%) percent of assessed valuation \$ 2,302,594,723

Gross Debt

Outstanding general obligation

Bonded debt:

Governmental activities bonds	\$ 138,880,000
Water bonds	7,525,000
Sewer bonds	18,540,000
Parking deck bonds	<u>8,875,000</u>
	<u>173,820,000</u>

General obligation bonds

Authorized not Issued:

Governmental activities	<u>60,000,000</u>
	<u>60,000,000</u>

Other:

Installment financing agreements	24,677,248
Lease purchase and other installment obligations	18,146,488
Equipment fund certificates of participation	26,400,000
Reimbursement contracts - streets	3,144
Reimbursement contracts - water and sewer	<u>49,115</u>
	<u>69,275,995</u>

Gross debt	<u>303,095,995</u>
------------	--------------------

Statutory Deductions

Bonded debt included in gross debt
incurred for water

7,525,000

Uncollected special assessments levied
for local improvements for which gross
debt was incurred to the extent to be
applied to the payment of such gross
debt

971,468
8,496,468

Net debt

294,599,527

Legal debt margin

\$ 2,007,995,196

City of Raleigh

SCHEDULE OF DIRECT AND OVERLAPPING DEBT June 30, 2003

	<u>Bonded Debt</u>	<u>Percentage Applicable to City</u>	<u>City's Share of Debt</u>
Direct Debt - City of Raleigh (1)	\$ 138,880,000	100.00%	\$ 138,880,000
Overlapping Debt: (2)			
Wake County General Improvement Bonds (3)	<u>926,625,000</u>	43.31% (4)	<u>401,321,288</u>
Total Direct and Overlapping Debt	<u>\$ 1,065,505,000</u>		<u>\$ 540,201,288</u>

Notes:

- (1) This total includes only general governmental obligation bonds. Water and sewer bonds and parking facility bonds are not included.
- (2) Overlapping debt does not include the debt of the Special Airport Tax District of Durham and Wake Counties as these bonds are payable by the Airport Authority out of airport revenues.
- (3) This total includes \$894,320,621 of Wake County School Bonds; but does not include Hospital bonds, as these bonds are payable solely from hospital revenues.
- (4) Percentage of direct and overlapping debt is based on June 30, 2003 assessed valuation of the City of Raleigh (\$28,782,434,034) as compared to the June 30, 2003 assessed valuation of Wake County (\$66,454,852,090).

City of Raleigh

**RATIO OF ANNUAL GENERAL DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30		<u>Principal</u>	<u>Interest</u>	<u>Other Expenses</u>	<u>Total</u>	<u>Total General Expenditures</u> (1)	Ratio of General Debt Service to Total General Expenditures
1994	\$	3,685,000	\$ 4,438,796	\$ 6,267	\$ 8,130,063	\$ 133,487,349	6.1 %
1995		5,720,000	4,914,256	5,778	10,640,034	143,829,759	7.4
1996		5,730,000	4,868,926	3,775	10,602,701	144,319,042	7.4
1997		5,955,000	6,243,645	4,335	12,202,980	152,740,485	8.0
1998		6,115,000	5,902,046	85,528	12,102,574	166,192,395	7.3
1999		7,890,000	5,980,188	135,667	14,005,855	184,516,388	7.6
2000		8,600,000	5,895,797	76,686	14,572,483	201,086,716	7.2
2001		8,560,000	5,541,353	59,146	14,160,499	208,928,254	6.8
2002		9,145,000	5,109,077	168,682	14,422,759	212,063,708	6.8
2003		9,855,000	4,814,711	265,381	14,935,092	235,844,947	6.3

Note:

(1) Includes general and special revenue funds.

City of Raleigh

SCHEDULE OF REVENUE BOND COVERAGE WATER AND SEWER REVENUE BONDS For the Fiscal Year Ended June 30, 2003

Fiscal Year Ended (1)	Gross Revenues	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3 and 4)			Coverage	Required Coverage
				Principal	Interest	Total		
Parity Debt Service Coverage (3)								
1997	\$ 38,766,974	\$ 24,396,590	\$ 14,370,384	\$ 250,000	\$ 694,376	\$ 944,376	15.21	1.25
1998	42,980,846	28,335,465	14,645,381	1,070,000	2,147,064	3,217,064	4.55	1.25
1999	51,092,288	28,833,598	22,258,690	1,105,000	2,113,547	3,218,547	6.92	1.25
2000	53,442,428	32,760,930	20,681,498	1,135,000	3,232,702	4,367,702	4.74	1.25
2001	57,337,535	36,870,339	20,467,196	1,725,000	3,012,533	4,737,533	4.32	1.25
2002	63,911,622	42,112,440	21,799,182	2,215,000	4,140,667	6,355,667	3.43	1.25
2003	59,464,009	46,909,635	12,554,374	2,395,000	3,874,439	6,269,439	2.00	1.25
All Water and Sewer Debt Service Coverage (4)								
1997	\$ 38,766,974	\$ 24,396,590	\$ 14,370,384	\$ 6,855,000	\$ 4,034,971	\$ 10,889,971	1.32	1.00
1998	42,980,846	28,335,465	14,645,381	7,385,000	5,040,122	12,425,122	1.18	1.00
1999	51,092,288	28,833,598	22,258,690	6,455,000	4,758,353	11,213,353	1.99	1.00
2000	53,442,428	32,760,930	20,681,498	6,408,051	5,656,737	12,064,788	1.71	1.00
2001	57,337,535	36,870,339	20,467,196	7,093,051	5,279,894	12,372,945	1.65	1.00
2002	63,911,622	42,112,440	21,799,182	7,378,051	6,364,756	13,742,807	1.59	1.00
2003	59,464,009	46,909,635	12,554,374	7,165,851	5,682,828	12,848,679	0.98	1.00

NOTES:

- (1) The City issued water and sewer revenue bonds December 1, 1996, January 1, 1999 and January 1, 2001.
- (2) Operating expenses are exclusive of depreciation and interest expense.
- (3) Parity debt service includes interest and principal of revenue bonds and certain State loans.
- (4) All water and sewer debt service includes interest and principal of revenue bonds, State loans, and water and sewer general obligation bonds.

City of Raleigh

**SCHEDULE OF ASSESSMENTS RECEIVABLE
LAST TEN FISCAL YEARS**

Fiscal Year Ended <u>June 30</u>	Assessments Receivable Beginning of Period	<u>Billings</u>	Collections and Other <u>Reductions</u>	Assessments Receivable End of <u>Year</u>
1994	\$ 3,833,556	\$ 486,357	\$ 1,215,376	\$ 3,104,537
1995	3,104,537	851,910	1,023,129	2,933,318
1996	2,933,318	1,129,790	1,253,467	2,809,641
1997	2,809,641	119,104	719,060	2,209,685
1998	2,209,685	689,474	777,598	2,121,561
1999	2,121,561	737,730	1,087,819	1,771,472
2000	1,771,472	965,281	864,453	1,872,300
2001	1,872,300	1,816,741	1,313,442	2,375,599
2002	2,375,599	702,429	954,935	2,123,093
2003	2,123,093	859,230	1,158,256	1,824,067

Note:

Assessments receivable at June 30, 2003 consists of

Water and sewer assessments receivable	\$ 875,556
Other assessments receivable	948,511
Total	<u>\$ 1,824,067</u>

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City of Raleigh

INSURANCE COVERAGE
June 30, 2003

<u>TYPE OF POLICY</u>	<u>TYPE OF COVERAGE</u>	<u>LIMITS OF COVERAGE</u>	<u>TERM OF POLICY</u>	<u>ANNUAL PREMIUM</u>
General Property	All Risk: Buildings and Contents	Coverage Limits: \$437,867,000 Deductible Per Occurrence: \$100,000	July 1, 2002 to June 30, 2003	\$312,708
Property - Other	Basic Form	Coverage Limits: \$12,847,000 Deductible Per Occurrence: \$50,000	July 1, 2002 to June 30, 2003	Included Above
Inland Marine: Municipal Equipment; Computer Equipment; Museum Fine Arts; Pool Bubble Cover;	All Risk: Property Damage	Actual Cash Value Less Depreciation; Museum Fine Arts: \$130,000; Pool Cover: \$131,000 Deductible Per Occurrence: \$25,000; Pool Cover: \$2,500; Museum Fine Arts: \$500	July 1, 2002 to June 30, 2003	\$15,913
Boiler and Machinery	All Risk: Pressure Vessels, HVAC Systems, Production Equipment	Coverage Limits: \$5,000,000 Deductible Per Occurrence: \$100,000	July 1, 2002 to June 30, 2003	\$14,824
General Liability	Bodily Injury or Property Damage Arising From Premises/Operations and Products	Coverage Limits: \$10,000,000 Deductible Per Occurrence: \$1,000,000	July 1, 2002 to June 30, 2003	\$357,384
Police	Police: Bodily Injury and Property Damage	Coverage Limits: \$10,000,000 Deductible Per Occurrence: \$1,000,000	July 1, 2002 to June 30, 2003	Included Above
Vehicle Liability	City-Owned Vehicles: Bodily Injury and Property Damage	Coverage Limits: \$10,000,000 Deductible Per Occurrence: \$1,000,000	July 1, 2002 to June 30, 2003	Included Above
Physical Damage	All Fleet Vehicles: Fire, Theft and Vandalism	Coverage Limits: \$51,025,365 Deductible Per Occurrence: \$25,000	July 1, 2002 to June 30, 2003	Included Above
Aggregate Stop-Loss	Bodily Injury and Property Damage	Annual Aggregate: \$3,000,000	July 1, 2002 to June 30, 2003	Included Above
Public Officials Liability	All Employees, Council and Boards: Wrongful Acts			Self - Insured
Public Official Blanket Bond	Dishonest or Fraudulent Acts of Employees Handling Money or Property	Coverage Limits: \$500,000 Deductible Per Occurrence: \$1,000	July 1, 2002 to June 30, 2003	\$2,034

City of Raleigh**INSURANCE COVERAGE****June 30, 2003**

<u>TYPE OF POLICY</u>	<u>TYPE OF COVERAGE</u>	<u>LIMITS OF COVERAGE</u>	<u>TERM OF POLICY</u>	<u>ANNUAL PREMIUM</u>
Public Official Bond	Tax Collector: City Taxes Finance Director	Coverage Limits: \$150,000	July 1, 2002 to June 30, 2003	\$1,600
Medical Professional Liability	City Nurses	Coverage Limits: \$1,000,000 per person \$3,000,000 per occurrence	July 1, 2002 to June 30, 2003	\$137
Special Program Liability	Grandfather Mountain Recreation Program: Bodily Injury and Property Damage	Coverage Limits: \$1,000,000 annually \$500,000 per occurrence	May 22, 2003 to May 22, 2004	\$500
Money and Securities	Selected Locations Handling Negotiable Funds: Premise and Off-Premise	Coverage Limits Per Location: \$4,100 or \$50,000 Deductible Per Occurrence: \$500 or \$1,000	August 1, 2002 to July 31, 2003	\$3,228
Workers' Compensation	All Employees: All Benefits Allowed by Law	Self-Insured Retention Per Occurrence: \$1,000,000 Excess Coverage: \$1,000,000 Employers Liability: \$1,000,000	July 1, 2002 to June 30, 2003	\$72,400
Statue	Multi-Peril External Cause	Statue: Deductible: \$1,000	September 1, 2002 to August 31, 2003	\$626

City of Raleigh

DEMOGRAPHIC CHARACTERISTICS LAST TEN FISCAL YEARS

Fiscal Year Ended	Population	Per Capita Income	Unemployment Rate	School Enrollment ADM	Retail Sales (5) (In Billions)	
<u>June 30</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>	<u>City</u>	<u>County</u>
1994	237,739	23,907	2.9	72,643	4.395	6.663
1995	243,345	24,852	3.0	76,273	5.019	7.649
1996	251,609	27,069	2.5	80,646	5.493	8.441
1997	266,035	28,758	2.0	85,542	6.119	9.670
1998	273,011	30,525	1.6	89,074	6.437	10.319
1999	280,132	32,054	1.5	92,566	6.914	11.536
2000	286,834	32,537	1.6	94,295	7.026	11.614
2001	294,843	32,998	3.1	97,348	7.524	12.546
2002	311,053	N/A	5.5	101,967	7.012	12.017
2003	316,979	N/A	5.2	107,448	N/A	N/A

Notes:

- (1) The City's Planning Department estimates the 2003 population to be 316,979. The United States Bureau of Census established the 2000 population as 276,093. The nationwide census resulted in a reduction in the City's estimate of population as has been reported in prior years.
- (2) Per capita income for the Raleigh-Durham SMSA.
Data for 2002 and 2003 are not available.
Source: U.S. Department of Commerce, Bureau of Economic Analysis
- (3) Estimated percentage of unemployment in Wake County.
Source: North Carolina Employment Security Commission.
- (4) ADM = Average daily membership - (final ADM). Includes thirteen charter schools.
Source: North Carolina Department of Public Instruction, Statistical Research and Data Center
- (5) Source: North Carolina Department of Revenue, Sales and Use Tax Division, Tax Research Division.
Data for 2003 is not available.

City of Raleigh

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS LAST TEN FISCAL YEARS

Fiscal Year Ended <u>June 30</u>	Property Value (1)	Commercial Construction (2)		Residential Construction (2)		Bank Deposits (3)
		Number of <u>Permits</u>	<u>Value</u>	Number of <u>Permits</u>	<u>Value</u>	
1994	\$ 12,726,252,607	1,171	\$ 186,506,086	3,332	\$ 253,240,442	\$ 3,308,816,000
1995	12,900,795,597	1,185	195,647,516	3,642	294,566,077	3,636,608,000
1996	13,567,783,606	1,349	334,033,422	3,853	354,115,298	3,621,257,000
1997	14,436,010,969	1,322	312,281,711	4,366	321,023,215	3,771,729,000
1998	15,328,441,284	1,409	408,385,493	4,380	354,301,654	4,074,241,000
1999	16,068,479,171	1,662	497,648,410	5,507	627,106,349	4,528,758,000
2000	17,008,260,287	1,522	497,664,132	5,067	652,441,455	6,832,513,000
2001	25,629,175,759	1,621	583,051,394	5,924	733,566,327	7,829,170,000
2002	27,360,325,819	1,257	423,679,211	6,244	544,853,112	8,538,970,000
2003	28,782,434,034	1,213	349,853,178	6,054	654,562,382	N/A

Notes:

- (1) Source: Wake County
- (2) Source: City of Raleigh Inspections Department. All figures include governmental construction.
- (3) "Bank Deposits" include deposits with savings and loans (and exclude credit unions) for the combined Raleigh and Wake County area. Data for 2003 is not available. Source: North Carolina State Banking Commission.

City of Raleigh**PRINCIPAL TAXPAYERS****June 30, 2003**

<u>Company</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Progress Energy	Utility	\$ 312,192,070	1.08%
Bellsouth Telephone and Telegraph Company	Utility	176,727,864	0.61
CVM Associates	Real estate	170,805,503	0.59
Highwoods Realty, Limited Partnership	Real estate	140,338,042	0.49
UDRT of North Carolina, LLC	Real estate	116,971,054	0.41
Prudential Insurance Co. of America	Insurance	94,487,059	0.33
Capital Center Acquisition, LLC	Real estate	69,327,905	0.24
JG North Raleigh, LLC	Real estate	61,988,991	0.22
First Union National Bank of NC	Banking/real estate	55,944,755	0.19
Lead Mine Land Co.	Real estate	<u>54,962,618</u>	<u>0.19</u>
		<u>\$ 1,253,745,861</u>	<u>4.35%</u>

Note:

Above assessed valuations are as of January 1, 2002 and the associated tax levies were due in the fiscal year ended June 30, 2003.

City of Raleigh

MISCELLANEOUS STATISTICS

June 30, 2003

Population: 316,979

Date of incorporation: Established 1792 by an act of the North Carolina General Assembly

Form of government: Council/Manager

Area: 127.25 square miles

Miles of streets: 1,088.65

Number of street lights: 29,875

Fire protection:

Number of stations: 26

Number of firemen and officers: 492
(exclusive of volunteer firefighters)

Police protection:

Number of stations: 9 (1) headquarters, (6) sub-stations, (2) training center

Number of policemen and officers: 695

Municipal water department:

Number of consumers: 126,285

Average daily consumption: 42.43 MGD

Miles of water mains: 1,356

Sewers:

Sanitary sewers: 1,447 miles

Average daily flow: 45.68 MGD

Recreation and Parks:

Number of major parks: 66

Total acreage of parkland, open space, greenways and lakes: 7,979

Number of staffed community, arts and special facilities: 56

Neighborhood centers: 10

Park sites: 181

Greenway tracts: 463

Aquatic facilities: 8

Culture:

Number of libraries: 17

Number of volumes: 1,463,271

Employees: 3,052



CITY OF RALEIGH, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

SINGLE AUDIT SECTION

The ***Single Audit Section*** contains schedules, exhibits and auditor reports reflecting federal, state, and other matching participation in various projects and programs of the City as required by *OMB Circular A-133* and the *North Carolina Single Audit Implementation Act*.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor, Members
of the City Council and City Manager
City of Raleigh, North Carolina

We have audited the basic financial statements of the City of Raleigh, North Carolina (the City) as of and for the year ended June 30, 2003, and have issued our report thereon dated October 31, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 03-1 and 03-2.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated October 31, 2003.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the governing board and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

CHERRY, BEKAERT & HOLLAND, L.L.P.

Cherry, Bekaert & Holland LLP

Raleigh, North Carolina
October 31, 2003



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

Honorable Mayor, Members
of the City Council and City Manager
City of Raleigh, North Carolina

Compliance

We have audited the compliance of the City of Raleigh, North Carolina (the City), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2003. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the governing board and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

CHERRY, BEKAERT & HOLLAND, L.L.P.

Cherry, Behaert & Holland LLP

Raleigh, North Carolina
October 31, 2003



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH APPLICABLE SECTIONS OF OMB CIRCULAR A-133
AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

Honorable Mayor, Members
of the City Council and City Manager
City of Raleigh, North Carolina

Compliance

We have audited the compliance of the City of Raleigh, North Carolina (the City), with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2003. The City's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina* and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2003.

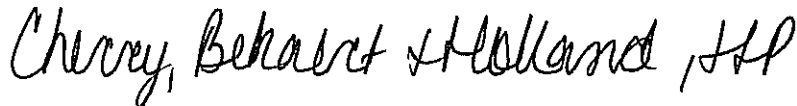
Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the governing board and federal and State awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specific parties.

CHERRY, BEKAERT & HOLLAND, L.L.P.

A handwritten signature in cursive script that reads "Cherry, Bekaert & Holland, LLP".

Raleigh, North Carolina
October 31, 2003



SINGLE AUDIT SCHEDULES



CITY OF RALEIGH

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE	Federal CFDA Number	Grant Number	Grant Award	Expenditures		
				Prior Year	Current Year	Total to Date
EXPENDITURES OF FEDERAL AWARDS:						
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>						
Direct Programs:						
Federal Transit Administration						
Planning Assistance - Section 9	20.507	NC-90-2297	\$ 192,764	\$ 13,587	\$ 177,988	\$ 191,575
Planning Assistance - Section 9	20.507	NC-90-2319	69,193	-	35,584	35,584
Capital Assistance - Section 9	20.507	NC-90-0220	2,277,257	2,070,806	71,760	2,142,566
Capital Assistance - Section 9	20.507	NC-90-0237	2,440,136	2,156,849	(56,151) (3)	2,100,698
Capital Assistance - Section 9	20.507	NC-90-0256	6,232,233	2,222,807	3,726,696	5,949,503
Capital Assistance - Section 9	20.507	NC-90-0279	2,838,195	1,280,822	577,954	1,858,776
Capital Assistance - Section 9	20.507	NC-90-0297	1,662,320	501,898	1,445,686	1,947,584
Capital Assistance - Section 9	20.507	NC-90-0306	3,616,360	-	-	-
Capital Assistance - Section 9	20.507	NC-90-0319	2,165,834	-	211,823	211,823
			<u>21,494,292</u>	<u>8,246,769</u>	<u>6,191,340</u>	<u>14,438,109</u>
Passed-Through N.C. Department of Transportation:						
Federal Transit Administration						
Planning Assistance - Section 8	20.505	PTD 02-08-009	58,248	58,248	-	58,248
Planning Assistance - Section 8	20.505	PTD 03-08-009	69,432	-	69,432	69,432
			<u>127,680</u>	<u>58,248</u>	<u>69,432</u>	<u>127,680</u>
Federal Highway Administration						
Section 104(f) Technical Assistance	20.205	8.54314	502,825	436,375	1,440	437,815
Section 104(f) Technical Assistance	20.205	8.54403	636,736	-	338,924	338,924
			<u>1,139,561</u>	<u>436,375</u>	<u>340,364</u>	<u>776,739</u>
National Highway Traffic Safety Administration						
Speed Enforcement	20.600	QN021103	10,000	8,217	-	8,217
Total U.S. Department of Transportation			<u>22,771,533</u>	<u>8,749,609</u>	<u>6,601,136</u>	<u>15,350,745</u>
<u>CORPORATION FOR NATIONAL SERVICE</u>						
Direct Programs:						
Foster Grandparents Program	94.011	439-S006/14	248,883	88,832	157,855	246,687
	94.011	439-S006/15	259,742	-	112,603	112,603
			<u>508,625</u>	<u>88,832</u>	<u>270,458</u>	<u>359,290</u>
Retired Senior Volunteers Program	94.002	440-S025/19	55,498	10,707	44,120	54,827
	94.002	440-S025/20	57,718	-	41,594	41,594
			<u>113,216</u>	<u>10,707</u>	<u>85,714</u>	<u>96,421</u>
Total Corporation for National Service			<u>621,841</u>	<u>99,539</u>	<u>356,172</u>	<u>455,711</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>						
Direct Programs:						
Community Development Block Grant Program						
	14.218	B95MC370009	2,459,000	2,443,917	11,908	2,455,825
	14.218	B96MC370009	2,416,000	2,394,362	-	2,394,362
	14.218	B99MC370009	2,336,000	2,287,136	21,603	2,308,739
	14.218	B00MC370009	2,365,000	2,156,142	151,630	2,307,772
	14.218	B01MC370009	2,446,000	1,117,271	789,534	1,906,805
	14.218	B02MC370009	2,420,000	-	1,265,133	1,265,133
			<u>14,442,000</u>	<u>10,398,828</u>	<u>2,239,808</u>	<u>12,638,636</u>
DRI Grant Program	14.218	B97MU370009	3,002,052	2,993,868	8,184	3,002,052
HOME Grant Program						
	14.239	M96MC370206	950,000	858,637	-	858,637
	14.239	M98MC370206	994,000	956,523	-	956,523
	14.239	M99MC370206	1,074,000	860,744	-	860,744
	14.239	M00MC370206	1,073,000	549,112	26,376	575,488
	14.239	M01MC370206	1,191,000	57,591	301,792	359,383
	14.239	M02MC370206	1,188,000	-	(245,493) (1)	(245,493)
			<u>6,470,000</u>	<u>3,282,607</u>	<u>82,675</u>	<u>3,365,282</u>

Continued

CITY OF RALEIGH

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE	Federal CFDA Number	Grant Number	Grant Award	Expenditures		
				Prior Year	Current Year	Total to Date
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (continued)</u>						
HOPWA Grant Program	14.241	NC19H01F002	\$ 449,000	\$ 449,000	\$ -	\$ 449,000
Total U.S. Department of Housing and Urban Development			24,363,052	17,124,303	2,330,667	19,454,970
<u>U.S. DEPARTMENT OF JUSTICE</u>						
Direct Programs:						
Cops Ahead	16.710	95CCWX0055	1,500,000	1,362,081	137,919	1,500,000
Cops More	16.710	01CLWX0010	685,248	327,468	277,852	605,320
Cops in Schools	16.710	02SHWX0717	122,087	-	41,224	41,224
			2,307,335	1,689,549	456,995	2,146,544
LLE Block Grant Program	16.592	00LBVX1097	498,532	436,519	62,013	498,532
LLE Block Grant Program	16.592	01LBBX3446	540,989	329,191	211,059	540,250
LLE Block Grant Program	16.592	02LBBX2438	461,908	-	225,570	225,570
			1,501,429	765,710	498,642	1,264,352
Weed & Seed Program	16.595	01WSQX0092	225,000	117,245	87,635	204,880
Weed & Seed Program	16.595	01WSQX0092	225,000	-	165,509	165,509
Weed & Seed Program	16.595	N/A	53,161	36,333	11,827	48,160
Weed & Seed Program	16.595	N/A	50,000	-	30,000	30,000
			553,161	153,578	294,971	448,549
Passed-Through N.C. Department of Crime Control and Public Safety:						
VOCA - Domestic Violence Social Worker		092102010V771	37,311	-	36,593	36,593
Juvenile Cyber Tech Investigations		092101003H874	48,624	-	9,363	9,363
			85,935	-	45,956	45,956
Total U.S. Department of Justice			4,447,860	2,608,837	1,296,564	3,905,401
<u>ENVIRONMENTAL PROTECTION AGENCY</u>						
Direct Programs:						
Brownfields Assessment Grant	66.811	BP984864-99-0	200,000	163,752	22,681	186,433
Brownfields Revolving Loans Program	66.811	BL-974320901	1,000,000	-	919	919
Vulnerability Assessment Study	66.811	HS-82006801	115,000	-	115,000	115,000
			1,315,000	163,752	138,600	302,352
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
Passed-Through N.C. Department of Environment and Natural Resources:						
USFS - "Raleigh Neighborwoods"	10.664	ATB 01-3	10,000	-	-	-
USFS - "Raleigh Neighborwoods"	10.664	ATB 02	10,000	-	1,236	1,236
			20,000	-	1,236	1,236
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>						
Passed-Through N.C. Department of Crime Control and Public Safety:						
Disaster Assistance - Hurricane Floyd	83.516	1292-DR-NC	847,646	863,826	-	863,826
Disaster Assistance - Winter Storm	83.516	1312-DR-NC	330,421	330,421	5,616	336,037
Disaster Assistance - 2002 Ice Storm	83.516	1448-DR-NC	10,227,391	-	9,238,496	9,238,496
			11,405,458	1,194,247	9,244,112	10,438,359
Flood Mitigation	83.516	HMGP-1134	8,517,815	6,292,380	(51,115) (2)	6,241,265
Total Federal Emergency Management Agency			19,923,273	7,486,627	9,192,997	16,679,624
OTHER FEDERAL AWARDS:						
<u>ENVIRONMENTAL PROTECTION AGENCY</u>						
Passed-Through N.C. Department of Environment and Natural Resources:						
Wastewater Treatment Works Loan	66.458	CS37-419-12	5,000,000	4,598,442	78,381	4,676,823
Total Expenditures of Federal Awards			\$ 78,462,559	\$ 40,831,109	\$ 19,995,753	\$ 60,826,862

Continued

CITY OF RALEIGH

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE	Federal CFDA Number	Grant Number	Grant Award	Expenditures		
				Prior Year	Current Year	Total to Date
EXPENDITURES OF STATE AWARDS:						
<u>N. C. DEPARTMENT OF TRANSPORTATION</u>						
Public Transportation Planning Assistance		PTD 02-09-007	\$ 24,095	\$ 24,095	\$ (148)	\$ 23,947
Public Transportation Planning Assistance		PTD 03-09-007	8,649	-	4,448	4,448
Public Transportation Planning Assistance		PTD 02-08-009	7,281	7,281	-	7,281
Public Transportation Planning Assistance		PTD 03-08-009	8,679	-	8,679	8,679
Public Transportation Capital Assistance		PTD 98-09-007	146,457	120,651	8,970	129,621
Public Transportation Capital Assistance		PTD 99-09-004	166,817	131,406	(7,019) (3)	124,387
Public Transportation Capital Assistance		PTD 00-09-007	640,829	139,651	465,837	605,488
Public Transportation Capital Assistance		PTD 01-09-007	189,282	13,486	60,082	73,568
Public Transportation Capital Assistance		PTD 02-09-007	364,360	-	-	-
Public Transportation Maintenance Assistance						
Program - Operating	9.9052325		1,717,101	-	1,717,101	1,717,101
Transit Planning Job Training Program	9.9052275		28,530	-	15,383	15,383
Greenskills Project	E-3800		50,000	6,693	24,389	31,082
Leesville Road Extension	9.8052061		150,000	-	150,000	150,000
Capital Boulevard at Durant Road	9.8052059		125,000	125,000	-	125,000
Capital Boulevard at Pery Creek Road	9.8052066		135,000	-	37,206	37,206
Duraleigh Road at U.S. 70	9.8052058		150,000	-	150,000	150,000
Western Boulevard Landscaping	E-2973-E		100,000	-	-	-
Rose Lane Bridge	8.2406001		880,000	704,181	(5,639) (2)	698,542
Intermodal Facility Design Study	00-DG-026		50,000	49,280	575	49,855
Bus Bike Rack Grant	E-2913		48,522	39,241	1,028	40,269
GHSP Traffic Sign Grant	-		4,033	-	-	-
GHSP Helmet Grant	-		3,542	-	-	-
Powell Bill	-		8,264,193	-	8,264,193	8,264,193
Total N. C. Department of Transportation			13,262,370	1,360,965	10,895,085	12,256,050
<u>N.C. HOUSING FINANCE AGENCY</u>						
Job Training Grant	-		152,000	87,512	46,812	134,324
<u>N. C. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY</u>						
Disaster Assistance - Hurricane Floyd	1292-DR-NC		282,548	261,926	-	261,926
Disaster Assistance - Winter Storm	1312-DR-NC		110,441	110,441	1,571	112,012
Disaster Assistance - December 2002 Ice Storm	1448-DR-NC		3,409,498	-	3,079,498	3,079,498
Flood Mitigation	HMGP-1134		2,839,271	2,097,460	(17,038) (2)	2,080,422
SARF Flood Mitigation	HMGP-SARF		1,521,619	1,160,993	(62,140) (2)	1,098,853
Urban Search and Rescue	-		116,200	-	116,193	116,193
Pre-Disaster Mitigation Assistance	-		15,000	-	4,500	4,500
Total N. C. Department of Crime Control and Public Safety			8,294,577	3,630,820	3,122,584	6,753,404
<u>N. C. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES</u>						
Wastewater Treatment Works Loan #E-SRF-T-0089	-		1,000,000	921,498	15,679	937,177
Water Construction Loan #HLRXF01093	-		2,900,000	-	873,593	873,593
NCCWMTF - Neuse River Trust Acquisition Project	1998-A-104		2,850,000	1,635,670	199,979	1,835,649
Emmissions Reduction Grant	EA200028		218,111	45,872	129,811	175,683
Solid Waste Recycling Program	H03002		16,500	-	16,054	16,054
Total N. C. Department of Environment and Natural Resources			6,984,611	2,603,040	1,235,116	3,838,156
<u>N. C. DEPARTMENT OF INSURANCE</u>						
Child Safety Seat Program	-		15,000	-	14,783	14,783
<u>N. C. DEPARTMENT OF CULTURAL RESOURCES</u>						
Visual Arts Program	-		3,000	-	2,365	2,365
Total Expenditures of State Awards			\$ 28,711,558	\$ 7,682,337	\$ 15,316,745	\$ 22,999,082

Continued

CITY OF RALEIGH

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE	Federal CFDA Number	Grant Number	Grant Award	Expenditures		
				Prior Year	Current Year	Total to Date
EXPENDITURES OF OTHER AWARDS:						
<u>WAKE COUNTY</u>						
Special Populations Program			\$ 76,366	\$ -	\$ 76,366	\$ 76,366
Open Space Program			200,000	46,234	85,760	131,994
Lake Johnson Land Acquisition Grant			350,000	-	350,000	350,000
			<u>626,366</u>	<u>46,234</u>	<u>512,126</u>	<u>558,360</u>
<u>TRIANGLE TRANSIT AUTHORITY</u>						
Intermodal Facility Design Study			50,000	49,280	575	49,855
Triangle Regional Model Study			30,000	-	26,272	26,272
			<u>80,000</u>	<u>49,280</u>	<u>26,847</u>	<u>76,127</u>
<u>TRIANGLE J COUNCIL OF GOVERNMENTS</u>						
Biodiesel Fuel Grant			<u>41,000</u>	<u>-</u>	<u>308</u>	<u>308</u>
Total Expenditures of Other Awards			<u>\$ 747,366</u>	<u>\$ 95,514</u>	<u>\$ 539,281</u>	<u>\$ 634,795</u>
Total Expenditures - All Awards			<u>\$ 107,921,483</u>	<u>\$ 48,608,960</u>	<u>\$ 35,851,779</u>	<u>\$ 84,460,739</u>

Notes:

The Schedule of Expenditures of Federal and State Awards is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

Powell Bill expenditures as reported above represent eligible expenditures reported to the North Carolina Department of Transportation for the fiscal year ending June 30, 2003. The City is required to report annually to the North Carolina Department of Transportation on the accumulated unexpended Powell Bill funds. Unexpended Powell Bill funds are accounted for and maintained within various City funds. The total unexpended balance on-hand at June 30, 2003 is \$-0-.

- (1) Negative current year expenditures in the HOME grant program represent program income in excess of expenditures for the M02 grant year.
- (2) Negative current year expenditures in these grant programs represent previously reported expenditures disallowed by the grantor in FY03.
- (3) Negative current year expenditures in these grant programs represent grantors' participation in insurance proceeds.

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CITY OF RALEIGH, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2003

I – Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to federal awards? _____ yes X no

Type of auditor's report issued on compliance for major federal programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ yes X no

Identification of major federal programs:

CFDA Numbers

20.507
83.516
14.239

Names of Federal Program or Cluster

FTA Section 9
FEMA Disaster Assistance – Ice Storm
US HUD HOME Grant Program

Dollar threshold used to distinguish between Type A and Type B Programs:

\$ 599,873

Auditee qualified as low-risk auditee? _____ yes X no

CITY OF RALEIGH, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2003

I – Summary of Auditors’ Results (continued)

State Awards

Internal control over major state programs:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to state awards? _____ yes X no

Type of auditor’s report issued on compliance for major state programs: *Unqualified*

Any audit findings disclosed that are required to reported in accordance with the *Audit Manual for Governmental Auditors in North Carolina*? _____ yes X no

Identification of major state programs:

Names of State Program or Cluster

Lake Johnson Land Acquisition Grant

Water Construction Loan

Powell Bill

Disaster Assistance – December 2002 Ice Storm

Public Transportation Maintenance Assistance Program - Operating

Public Transportation Capital Assistance

II – Financial Statement Findings

Finding 03-1

Noncompliance

Criteria: G.S. 159-13 requires the full amount of any deficit in each fund be appropriated in the next fiscal year.

Condition: The City has a deficit fund balance of \$1,304,703 in the convention center and memorial auditorium capital projects fund and deficit net assets of \$902,154 in the risk management internal service fund.

Effect: Budgeted revenues have not been realized (convention center and memorial auditorium capital projects fund) and reserves for existing and future claims are insufficient (risk management internal service fund).

CITY OF RALEIGH, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2003

Cause: The deficit fund balance in the convention center and memorial auditorium capital projects fund results from budgeted long-term pledges not yet collected. The deficit net assets in the risk management internal service fund results from adverse experience in prior years' claims and from recognizing the liability and related expense for claims incurred but not yet reported.

Recommendation: Unrealized long-term pledges in the convention center and memorial auditorium capital projects fund should be collected timely or otherwise funded sufficient to eliminate the fund balance deficit. The City should increase future reserve funding in the risk management internal service fund sufficient to cover all claims liabilities and eliminate the deficit net assets.

Management response: The City anticipates continued collection of all long-term pledges and, ultimately, the complete elimination of the deficit fund balance in the convention center and memorial auditorium capital projects fund. The City agrees that additional reserve funding will be required in the risk management internal service fund.

Finding 03-2

Noncompliance

Criteria: A trust agreement, dated December 1, 1996, between the City and Wachovia Bank of North Carolina, as trustee, contains a long-term debt service coverage ratio on all utility debt of not less than 1.00.

Condition: For the fiscal year ended June 30, 2003, the City was not in compliance with this covenant. The total debt service coverage ratio was calculated to be 0.98.

Effect: This debt covenant was not met.

Cause: The City's net revenue available for debt did not cover the total debt service for the utility debt for the current year.

Recommendation: The City should monitor this debt covenant calculation.

Management response: The City agrees with this finding and will monitor compliance this debt covenant.

III – Federal Award Findings and Questioned Costs

None.

IV – State Award Findings and Questioned Costs

None.

CITY OF RALEIGH, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2003

Finding 02-1

Management has evaluated its procedures for determining Powell Bill expenditures and implemented necessary procedures for accurate reporting.



Office of the City Manager

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